Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rs 8.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.80	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 7.25	Lebanon	L£ 6.00	Sweden	Skr 5.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT$ 65
France	Fr 8.00	Mexico	Pes. 200	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 218
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Kr 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,555 — Wednesday February 20 1985 — D 8523 B

Latin American debt crisis could end with a bang, Page 14

World news

Spanish airliner crash kills 148

An Iberia Boeing 727 crashed into a mountain near Bilbao, northern Spain, killing all 148 people on board.

Among those killed was Bolivia's Labour Minister, Gonzalo Guzman Eguez, and a former Spanish Foreign Minister, Gregorio Lopez Bravo.

Iberia president Carlos Espinosa de los Monteros said the airliner had apparently collided with a television transmitter on top of Mount Oiz.

Banker murdered

In Madrid Ricardo Tejero, a senior board member of Banco Central, Spain's largest private bank, was shot dead in an attack which bore the hallmarks of the Basque separatist organisation Eta. Page 2

UK copyright levy

The UK Government has bowed to a long campaign by copyright holders and decided to accept the principle of a levy on blank audio and video tapes. Page 10

UK pit strike talks

Top-level talks were taking place in London in an effort to agree on a crucial compromise on the wording of National Coal Board proposals to end the 50-week-old miners' strike. Page 16

Israel condemned

Israel was condemned in two resolutions adopted by the UN Human Rights Commission for violating human rights in occupied Arab territories. The UN Security Council was urged to impose sanctions on Israel. Page 3

Lebanon pressure

Pressure to speed up the withdrawal of Israeli troops from Lebanon is growing after intensified guerrilla attacks on the Israeli forces. Page 3

Ships hit in Gulf

A Saudi Arabian bunkering ship, the Mohammed Al-Bakri 10, and a South Korean tanker, Royal Colombo, were hit by missiles in the Gulf. No injuries were reported.

Terrorist clampdown

Britain and Italy are to draft a new extradition treaty aimed at making it easier to extradite people wanted for terrorist and drugs offences. Page 2

S. Africa arrests

South African police detained almost the entire senior leadership of the United Democratic Front, the most effective legal extra-parliamentary opposition to the country's white Government. Page 16

'No threat' to Walesa

The Polish Government played down official threats against Lech Walesa, leader of the banned Solidarity union, and signalled that it had no intention of arresting him. Page 2

Kurds sentenced

A Turkish martial law court sentenced 22 members of a separatist Kurd group to death for anti-state activities.

Communists accused

Greece's Socialist Labour Minister accused the pro-Moscow Communist opposition of fomenting a wave of strikes. Page 2

Cow heart implant

A French-led team of surgeons in Paris implanted a revolutionary artificial heart in a young cow. The team hope the new type of heart, developed with Aerospatiale's space technology, will be available for humans within 14 months.

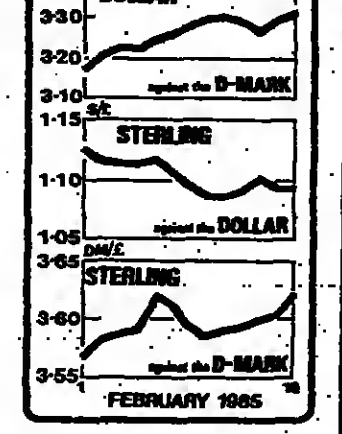
Business summary

Stauffer Chemical bought for $1.25bn

CHESEBROUGH-POND'S, diversified U.S. manufacturing group, agreed to buy Stauffer Chemical in a deal valued at $1.25bn. Page 16

WALL STREET: The Dow Jones industrial average closed down 1.43 at 1,280.59. Section III

DOLLAR was very firm in London, rising to DM 3.3155 (DM 3.296), SwFr 2.808 (SwFr 2.801), FFr 10.1375 (FFr 10.0725) and Y260.6



(Y260.0). On Bank of England figures the dollar's exchange rate index rose to a record 132.1 from 151.0. In New York it was DM 3.321, FFr 10.1575, SwFr 2.814 and Y261.10. Page 35

STERLING was unchanged against the strong dollar in London to close at $1.0935. It improved, however, to DM 3.6225 (DM 3.6025), SwFr 3.0725 (SwFr 3.0625), FFr 11.08 (FFr 11.01) and Y285.0 (Y284.25). The pound's exchange rate index rose to 71.6 from 71.2. In New York it was $1.0915. Page 35

GOLD lost $1.75 an ounce on the London bullion market to close at $302.75. It was also weaker in Zurich at $302.65. In New York the Comex April settlement was $306.40 ($306.90) Page 34

EUROPEAN bourses returned to their record-breaking ways as the renewed strength of the dollar brought a fresh round of foreign buying. New highs were set in Frankfurt, Amsterdam, Paris, Zurich and Vienna. Section III

TOKYO stocks moved ahead after a dull start as buying revived for blue chip issues. The Nikkei Dow market average added 7.49 to 12,156.64. Section III

LONDON shares advanced in restrained trading and the FT Ordinary index gained 7 higher at 977.5. Gilts were little changed. Section III

JAPANESE oil industry could face a combined loss of Y20bn ($77m) in the financial half year ending March 31 because of the weakness of the yen against the dollar, according to a leading Japanese research institute. Page 18

PHIBRO-SALOMON, the New York-based commodities and investment banking group, suffered a net loss of $130m in the final quarter after the write-off of the group's Beaufort Sea oil interests. This compares with net earnings of $122m in the 1983 quarter. Page 17

DEERE, world's largest maker of farm equipment, plunged back into loss in its first quarter and warned that its operating results would remain under "considerable pressure" for some time. Page 17

TAN SRI KHOO, Singapore-based financier, raised his offer for Wheelock Marden, valuing the Hong Kong trading group at HK$2.37 ($278m). The new bid is a 6 per cent improvement on an offer by Y. K. Pao's Hongkong Kowloon Wharf and Godown Company. Page 17; Background, Page 22

AUSTRALIA: the Australian dollar hit a record low of 67.5 U.S. cents in hectic New York trading yesterday on a combination of economic and political difficulties.

Banks seek pledge on debt after Argentine reshuffle

BY PETER MONTAGNON IN LONDON AND JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S leading commercial bank creditors were seeking urgent assurances from the Government of President Raul Alfonsin yesterday that the abrupt switch of its senior economic team would not undermine the country's determination to stick to its International Monetary Fund economic stabilisation programme.

In a surprise announcement late on Monday night, President Alfonsin's office said Sr Juan Sourrouille, 44, had been appointed Economy Minister to replace Sr Bernardo Grinspun, and Sr Alfredo Concepción was to become president of the central bank in the place of Sr Enrique Garcia Vazquez.

The news came amid fears that Argentina, whose annual inflation rate touched 778 per cent in January, was slipping out of compliance with the economic programme ratified by the IMF last December. The move was seen as likely to delay completion of a $20bn commercial bank rescheduling package.

The new minister had by last night still made no official pronouncements about his intentions, but other Argentine officials moved quickly to reassure the international financial community.

"The new minister will comply strictly with the country's debt obligations although he will use his technical expertise to argue for a more flexible response from the IMF," said Sr Arturo O'Connell, a senior Government economist and a close friend of Sr Sourrouille.

Bank creditors were initially mystified as to the reasons for the abrupt departure of Sr Grinspun and Sr Garcia Vazquez but by yesterday afternoon hopes were growing that the new team would get a stronger grip on the inflation that plagues the Argentine economy.

A Harvard-educated technocrat, Sr Sourrouville was previously under secretary for planning and is the author of Argentina's current five-year development plan which lays stress on the need to curb inflation and boost exports to provide cash to service the country's $45bn foreign debt.

Less well-known internationally, however, is Sr Concepción who was previously chairman of the state-owned Banco de la Nacion, the country's leading commercial bank.

The tough line being taken by the IMF on Brazil's failure to meet its domestic money supply targets led to fears last week that Argentina too might face a withdrawal of IMF loan support.

So far, however, bankers believe that Argentina is in good standing with the IMF which will not need formally to pass judgment on its economy until mid-April when a $280m tranche of its $1.4bn loan facility falls due.

In the meantime a separate confirmation from the IMF that all is in order might now be needed before banks can proceed to complete and sign the rescheduling package agreed in principle last December.

Doubt over IMF deal, Page 4; Debt crisis could end with a bang, Page 14

Irish bank law aims to seize IRA ransom cash

BY BRENDAN KEENAN IN DUBLIN

THE DAIL, the Irish parliament, yesterday rushed through legislation which will empower the Government to seize an estimated I£2m ($1.9m), believed to be a ransom demand extorted by the Irish Republican Army (IRA).

The introduction of an amendment to Ireland's anti-terrorist Offences against the State Act ended 17 hours of speculation that caused extreme unease in Dublin financial circles yesterday morning.

The Government had to announce that the Bill would be moved by Mr Michael Noonan, the Justice Minister, to quell fears that it involved a financial or commercial emergency.

The authorities moved quickly because it was feared that the funds could leave the country. Officials of the bank were expected to be served with an order under the amendment which obliges them to hand over the money to the Irish High Court, on the grounds that it belonged to a banned organisation.

Mr Noonan's statement was as dramatic as anticipated. He said the Irish police had information that a "seven-figure sum" had been extorted under IRA threats "with a kidnap-related background," and had been "laundered" across international frontiers into the Irish banking system.

The Senate, the upper chamber of the parliament, sat specially to pass all stages of the Bill, which was signed by the President last night.

The sweeping powers in the amendment are tempered with safeguards reassuring banks and building societies (home loan associations) that they will be used only when terrorist organisations are suspected to be involved. The powers will lapse after three months and can only be activated for three-month periods by specific ministerial order. Depositors who feel that their funds have been improperly seized can appeal against the decision up to six years after seizure and, if successful, would be entitled to compensation.

Nevertheless, banks and building societies will scrutinise the measure to ensure that it causes no loss of confidence. Under the amended Act, if the Justice Minister thinks that money is the property of an illegal organisation he can order the bank or building society to pay it to the High Court.

The court may order a financial institution to make available any relevant records or documents.

Mr Noonan told the Dail that the police had discovered that a large sum of money – the proceeds of criminal activity by the IRA and, specifically, extortion under threat of kidnap and murder – was in an Irish bank.

"It has already been moved across international frontiers and may, to an extent at least, have been 'laundered,'" Mr Noonan said.

He claimed the police had independent evidence as a result of legal proceedings taken by a foreign public authority in relation to banking transactions in that country.

The decision to introduce emergency legislation made for a nervous day in Irish banking and commercial circles. There are fears that exchange controls might be tightened or that a major institution or company might be in trouble.

The prime question last night centred on who paid the money. The IRA has increasingly turned to kidnapping and extortion amid reports that it is short of funds, but most of the publicised incidents seemed to end in failure.

An attempt to kidnap Mr Galen Weston, the Canadian-born businessman, went wrong and one of his Irish executives, Mr Don Tidey, was released after a gun battle last year in which a police recruit and a soldier died.

Indian official urges New Delhi to sue in U.S. over Bhopal

BY K. K. SHARMA IN NEW DELHI

MR K. PARASARAN, India's Attorney-General, has recommended to the Indian Government that it should initiate proceedings in U.S. courts to claim damages from Union Carbide on behalf of the victims of the leakage of lethal methyl-isocyanate gas last December from the Bhopal plant of its majority-owned Indian subsidiary.

The cause of the disaster, according to the investigators, was the presence of water in the methyl-isocyanate storage tank. This caused a "runaway reaction" that vaporised the gas and led to the build-up of extraordinary pressure that even cracked the four-inch casing around the tank.

The recommendation to the Government follows inquiries by a team of senior investigators from India's Central Bureau of Investigation and the Madhya Pradesh state police whose report is to be presented to a judicial commission of inquiry into the disaster.

The commission is to be headed by Justice N.K. Singh. Hearings are expected to begin in the middle of March.

The investigators claim that there was "total and criminal failure" on the part of Union Carbide to provide against the leakage of methyl-isocyanate of the kind that occurred on the night of December 2 and the early morning of December 3 1984.

The official estimate of the number of people killed is just over 1,400 but unofficial figures, which the chief minister of Madhya Pradesh has said he will not contest, are as high as 2,500. With more than 175,000 injured, it was one of the worst industrial disasters in the world.

The high-level police investigation into the disaster has based its findings of statements by Union Carbide employees, records of the company and examination of independent experts.

Continued on Page 16
Background, Bank chiefs dismissed, Page 3

Bundesbank intervenes as $ heads for new peaks

By Philip Stephens in London

THE DOLLAR had another record-breaking run on foreign-exchange markets yesterday as a fresh surge of investor confidence swept aside the impact of intervention by West Germany's Bundesbank.

Sterling held steady against the U.S. currency, however, and its overall value rose as speculative pressure focused on the D-Mark and other European currencies.

The dollar closed in London at DM 3.3155, up nearly 2 pfg from Monday and 8 pfg higher than at the beginning of the week, while it broke new records against the French franc and several smaller currencies.

In New York it closed at DM 3.321, FFr 10.1575, SwFr 2.814 and Y261.10.

The pound, however, closed unchanged at $1.0935, and gains against other currencies, said by dealers to reflect the high level of UK interest rates, took the sterling index up to 71.6 from 71.2.

The Bundesbank's dollar sales came as the U.S. currency surged in early trading, and they succeeded in temporarily braking the rise.

But the amount of the intervention – put at not more than $150m – indicated that the West German authorities were aiming to smooth the dollar's rise rather than making a determined attempt to reverse it.

Many bankers believe that the strength of the U.S. currency over recent days has been attributable to growing market confidence that central banks are not prepared to make a significant attack on the dollar.

European officials insist that the Federal Reserve has been joining European central banks in selling dollars, and that its intervention has sometimes gone unnoticed by the markets.

There is a growing perception in the foreign exchange markets, however, that the U.S. authorities are prepared to make only token gestures.

So while the markets remain nervous about sudden bouts of intervention, the general view is that such actions are likely to provoke only temporary setbacks for the dollar.

Mrs Margaret Thatcher, the British Prime Minister, who holds talks with President Ronald Reagan today, will emphasise the Government's concern over the impact of the dollar's strength.

The falling D-Mark, Page 2; UK pay rises, Page 10; Bundesbank report, Page 16; Money markets, Page 35

Madrid 'will wait for right EEC terms'

BY QUENTIN PEEL IN BRUSSELS

SPAIN WARNED yesterday that it was prepared to wait three or four years for the right terms to join the EEC, as the 10 foreign ministers of the European Community found themselves bogged down once again in internal wrangling on their own negotiating position.

The Spanish attitude, spelt out in Brussels by Sr Fernando Moran, the Foreign Minister and chief negotiator, leaves the Ten facing an apparently inextricable tangle between the unfinished talks and their own perennial budget crisis, with no early solution in sight.

The latest ministerial meeting broke up last night with the Ten deadlocked on the key issue of how to incorporate the Spanish fishing fleet into the EEC's Common Fisheries Policy.

Ministers were equally divided on the issue with the five main fishing nations – Britain, Denmark, France, Ireland and West Germany – determined on tough restrictions while the others urged a compromise.

Herr Hans Dietrich Genscher, the West German Foreign Minister, also rejected a plan to resolve the Community's shortage of cash, insisting that increased contributions can be paid only after Spain and Portugal join.

His hard line was spelt out despite an appeal by the European Commission for an urgent decision

Herr Hans Dietrich Genscher

on the budget question, which cuts farm and regional-policy spending back to last year's levels.

It might also present new obstacles to the payment of Britain's promised Ecu 1bn ($623m) budget rebate, according to several member states, who fear that special payments to the UK will not be approved by their national parliaments.

Talks among the foreign ministers failed to produce any new proposals to put to either Spain or Portugal on the three remaining issues of agriculture, fisheries and social affairs. The best the negotiators could manage was a round of informal discussions, and a dinner last night.

Continued on Page 16
CAP and Britain, Page 15

Olivetti to buy stake in Britain's Acorn

BY JASON CRISP IN LONDON AND ALAN FRIEDMAN IN ROME

OLIVETTI, the leading Italian computer and office equipment company, is to take a substantial minority stake in Acorn, the troubled British microcomputer company.

The deal has been reached 12 days after Acorn suspended dealings in its shares at 28p. Olivetti is expected to pay £10m to £15m ($11m–$16.5m) for slightly less than half of the shares in Acorn, which was capitalised at just over £30m at the time of suspension.

Olivetti, Acorn and its new financial advisers, Close Brothers, refused to comment on the deal. A formal announcement, however, is expected this morning.

In six years Acorn, which supplies sophisticated computers to the education and home market, lifted sales to £93.2m. Its main product is the highly successful BBC Micro.

The money from Olivetti's stake will relieve Acorn's cash flow problems which were largely the result of high stocks of its cheaper Electron home computer which had weak pre-Christmas sales. The move may also give Acorn access to Olivetti's substantial European distribution network for its new business computers.

Olivetti is expected to buy the 86m shares in Acorn which are authorised but not issued; this would imply a price of about 17p a share. Acorn would be required to hold an extraordinary general meeting to approve the issue.

If the deal goes ahead in this way, Acorn's founders, Mr Chris Curry and Mr Herman Hauser, would have their 87 per cent holding reduced to less than 50 per cent.

Olivetti has a long-established

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EUROPEAN NEWS

Mideast talks shrouded in secrecy

BY PATRICK BLUM IN VIENNA

U.S. AND Soviet officials met in Vienna yesterday for a two-day exchange of views on the Middle East, the first direct contact between the super-powers on the situation in the region for more than seven years.

The talks, which took place at the Soviet embassy here in an atmosphere shrouded in secrecy, are being held against a background of renewed efforts to find a diplomatic solution to the intractable Arab-Israeli conflict.

Last week's agreement between King Hussein of Jordan and Mr Yassir Arafat, the leader of the Palestine Liberation Organisation (PLO) on a joint approach to the Middle East problem was expected to figure prominently on the agenda of the talks.

Though King Hussein arrived in Austria shortly before the end of yesterday's meeting, he left immediately for Zuers, a ski resort in Western Austria about 500 kms from Vienna. U.S. officials said the King was not expected to participate in the Soviet-American talks.

The two delegations, led by Mr Richard Murphy, U.S. Assistant Secretary of State for Near Eastern and Asian Affairs, and Mr Vladimir Polyakov, head of the Soviet Foreign Ministry's Near East department, declined to give any details of the substance of their five-hour talks yesterday.

However, statements are expected to be issued separately in Washington and Moscow after today's concluding session, which is due to be held at the American embassy.

U.S. officials emphasised before the meeting that it was an exchange of views and not a negotiation. The talks were aimed mainly at reducing the risk of a U.S.-Soviet confrontation in the Middle East.

The Soviet Union was expected to renew its call for an international Middle East peace conference of all parties to the conflict, including the PLO. But, judging by statements made before the meeting, this would be rejected by the U.S. in the absence of Soviet diplomatic recognition of Israel and better treatment of Jews in the Soviet Union.

David Lennon adds from Tel Aviv: Israeli officials have stressed during the past few days that the Soviet Union could not be expected to play any constructive role in a Middle East peace settlement unless it restored its diplomatic ties with Israel, which were broken in 1967.

The officials claimed that they had received assurances from Washington that the U.S. had not changed its opposition to the idea of convening an international conference to discuss the Arab-Israeli dispute.

They stressed that the only way to make progress towards a peace settlement was through direct negotiations between the parties concerned.

Threat to Walesa recedes

By Christopher Bobinski in Warsaw

THE POLISH Government yesterday moderated its threats against Mr Lech Walesa, leader of the banned Solidarity union, and signalled that it had no intention of arresting him.

However, Mr Jerzy Urban, the government spokesman, said that the law would be applied "with moderation but in a determined way" against three other union leaders under arrest: Mr Bogdan Lis, Mr Adam Michnik and Mr Wladyslaw Frasyniuk.

Last Saturday Mr Walesa was called into the Gdansk prosecutor's office and told he would face arrest if he continued to call for a token general strike against food price rises on February 28. Mr Walesa responded by repeating his call for protests.

Yesterday, however, Mr Urban chose to ridicule Mr Walesa and claim that he was courting arrest to gain publicity.

"Mr Walesa dreams of finding himself behind bars so that he might become more visible," Mr Urban said, implying that the Government was not inclined to grant him such a wish. Asked whether Mr Walesa could be arrested at any time, Mr Urban said: "My statement implies quite the opposite."

French plutonium to be flown to Japan

BY DAVID MARSH IN PARIS

JAPAN SEEMS likely to opt for delivery by air of the sizeable quantities of plutonium scheduled to be transported from France in coming years, believing this is safer than sea transport.

Japanese electricity utilities, which are among the most important clients of Cogema, the French nuclear fuel group, are due to take delivery of increasing quantities of plutonium under contracts to reprocess burnt uranium fuel, carried out at France's nuclear complex at La Hague on the Cherbourg Peninsula.

Following completion of a FFr 50bn (£4.54bn) expansion, the La Hague complex—being financed partly by the Japanese—ten Japanese utilities are due to take possession of about 26 tonnes of plutonium over the decade starting 1988-89.

An initial cargo of 250 kg of plutonium, which was sent by ship from Cherbourg to Japan last October for use in the country's experimental Joyo fast breeder reactor, attracted large-scale controversy.

The shipment was the subject of elaborate security precautions and was thoroughly vetted by the U.S. Precautions included warship escorts and tracking by surveillance satellites. Plutonium presents risks from the points of view of toxicity, radioactivity and possible diversions for bomb-making.

Japanese officials have apparently come to the conclusion that speedy and discreet aerial transport poses fewer dangers than a long sea journey half way around the world.

M Jean-Pierre Rougeau, Cogema's commercial director, said yesterday it was "very probable" that future transfers would go by air, although no date had been set for the next delivery.

Part of the plutonium Japan is due to receive from the French in coming years is likely to be transported in the form of mixed oxide fuel (Mox). Made up of a mixture of plutonium and un-enriched uranium at present discarded by the nuclear industry, Mox fuel assemblies are at present manufactured on a small scale in Belgium, West Germany and France. They are being developed commercially by nuclear fuel companies partly to burn up the stocks of plutonium that would otherwise accrue in coming years. Mox shipments to Japan could start as early as next year.

Cogema officials point out that air transport of plutonium will be carried out with high-security containers likely to stand up to crashes. Plutonium is being transported increasingly around Europe by rail and road, and long-standing transfers of military plutonium between Britain and the U.S. have probably been carried out by air.

Cogema yesterday gave preliminary details of its 1984 results. Turnover stabilised at about FFr 17bn, and the group now services 110 nuclear reactors around the world through its natural uranium, enrichment, reprocessing and fuel fabrication activities.

Turmoil in Ireland over family planning Bill

By Brendan Keenan in Dublin

THE IRISH Parliament is expected to do something tonight which it has never done in its 63-year history. It will, by passing a measure directly contrary to the wishes of Ireland's Roman Catholic hierarchy.

Not that the issue is entirely certain. Prime Minister Garret FitzGerald and his ministers will be fighting to the last minute to retain a majority for their family planning Bill, given that four government backbenchers have said they will vote against it.

The legislation is an attempt to amend Ireland's restrictive regulations concerning non-medical contraceptives such as sheaths and spermicides. It has coincided, however, with a particularly intense bout of national soul-searching on the perennial question of the Irish and sex.

For the past six weeks the country has watched in horrified fascination as a supposedly straightforward public inquiry into the police investigation of a baby's murder has turned into a welter of national attitudes to women, illegitimacy, adultery and sex.

The "Kerry Babies case" has generated extraordinary passions and the facts behind it are strange.

A murder inquiry began last April when an infant's body was found on a beach near Cahirciveen. A Miss Joanne Hayes and her family were questioned because it was known she was having an affair and was reported to be pregnant.

Members of her family told the police that Miss Hayes had had a baby in the family farmhouse and that it had been murdered. Miss Hayes insisted she had delivered the baby herself, outside, and that it appeared to be dead. She had left it in a field.

Blood tests, however, showed that the baby on the beach was blood group A, while Miss Hayes and her lover were both group O. Another search of the Hayes farm revealed a second dead baby which turned out to be blood group O.

There was public outrage that people could apparently confess to a crime they could not have committed and, when an internal police inquiry failed to find an explanation, the Government ordered a public inquiry.

As if the facts were not bizarre enough, the inquiry itself became a sensation. Almost overnight, the barristers representing the police found themselves the most unpopular men in Ireland because of their attempts to discredit Miss Hayes as a promiscuous woman who might have had more than one lover and given birth to twins.

The tribunal united conservative clergy and militant feminists. Priests complained about the detailed exposé of people's sex lives, while women's groups said it all showed prejudice against women and exposed the lack of proper sex education and contraceptive advice.

It is not perhaps the best time to try to amend the family planning laws, with emotions running high, but Dr FitzGerald's coalition had good political reasons for its timing. The Government has improved its standing with its own supporters after a relatively popular budget last month, and needs to deliver something on its promise to be an agent of social reform.

What ministers may not have anticipated is the degree to which the Catholic hierarchy would make the Bill a test of the Church's role in Ireland of the 1980s.

The Church itself is going through something of a crisis. The Irish are still the most religious people in Western Europe, but observance is declining, especially among the young. Sexual behaviour no longer seems noticeably different from that in other western countries.

The bishops are desperate to show that religious decline is not an inevitable consequence of prosperity and urbanisation. Behind the contraceptive issue lies the bigger question for the Church of divorce, which is illegal in the Republic.

The general feeling is that the bishops have overplayed their hand. The apocalyptic views of the Archbishop of Dublin, Dr Kevin M'Namara, who forsees rampant promiscuity, illegitimacy and venereal disease if the Bill is passed, hardly square with a measure which will merely make it possible for over-18s to obtain contraceptives without a prescription.

The stakes are high for the Prime Minister. He is in no doubt that this legislation has become an issue on what kind of society the Republic is to become. He intends to carry on if defeated but the damage to his reputation would be terminal.

The opposition sees no reason to give the Government a clear run and will whip its MPs in against the measure, albeit with a certain shamefacedness. One of the government backbenchers who will join them once said there was no sex in Ireland before television. Now there is television, and Joanne Hayes, a nervous Parliament must try to face up to the implications.

Row erupts over Dutch broadcasting plans

BY LAURA RAUN IN AMSTERDAM

DUTCH PRIVATE broadcasting networks have reacted angrily to details of the proposal by Mr Eelco Brinkman, the Culture Minister, to privatise part of the Dutch Broadcasting Corporation next year.

The eight networks fear that the plan, under which the Corporation's production facilities will be hived off, will raise production costs so much that insufficient money will be left to ensure quality programming. The broadcasters also believe they will not have enough say in the day-to-day running of the new production company that is to be created.

The Culture Minister's plan, which was originally unveiled last year, is currently being reviewed by broadcasting, Press and judicial bodies before being debated in Parliament. Private broadcasters, who provide programming on the government channels, have always been opposed to the plan in principle.

Under the proposals, the Corporation would be split into three parts—an independent body with supervisory powers, a programming foundation to oversee content and a separate production company.

Half of the shares in the latter, which would be called the Dutch Audio-visual Company, would be held directly by the state and the other half by the broadcasting channels themselves. The Audio-visual Company itself would have the power to issue shares, which could be publicly traded.

Television broadcasters would be obliged to spend at least three-quarters of their production budget with the Audio-visual Company although the remaining quarter could be used in the private sector. Radio broadcasters would be required to place all their production with the new company.

Production fees would be fixed but the company's corporate profits could be distributed to shareholders.

Spanish bank executive shot

A SENIOR board member of Banco Central, Spain's largest private-sector bank, was shot dead in a garage in Madrid yesterday in what Sr Jose Barrionuevo, the Interior Minister, said appeared to be an attack by Eta, the Basque separatist organisation, writes David White in Madrid.

Sr Ricardo Tejero, was a general manager of the bank. A spokesman for the bank said there was "no motive or reason" for the killing, and that Sr Tejero had received no threats and had no bodyguard.

The choice of a businessman outside the Basque region as a target appears to mark a turn in Eta's tactics. Last year, two industrialists in Madrid and Seville were assassinated by the fringe left-wing group Grapo.

Athens assails 'political' strikes

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Labour Minister, Mr Evangelos Giannopoulos, has accused the Communist opposition of fomenting a wave of strikes, ostensibly about pay, for political reasons.

A three-day strike by bank workers began yesterday, while tax inspectors are planning to stop work on Friday. Textile and construction workers, but taxi and lorry drivers will also be involved.

The Socialist Government has been at daggers drawn with the Communists since the unveiling of a new electoral system in January. This failed to meet Communist demands for direct proportional representation in the general elections due before the end of the year.

The Communists, with about 11 per cent of the Greek vote, won only 13 seats in the 300-member Parliament under the reinforced proportional system used in the 1981 general election. They hope to increase their parliamentary strength substantially by directly linking vote strength to seats and then press for a coalition with the Socialists.

Mr Giannopoulos, is now accusing the Communists of using economic weapons to wage a political war against the Government by encouraging trade unions which they control to strike. The party's influence in the union movement is believed to be substantially greater than its electoral strength.

Officially, workers striking this week are opposed to this year's collective wage agreement between the Government and the Socialist-controlled General Confederation of Greek Workers (GSEE), which represents Greek unions. The agreement, which does not allow wage increases this year but foresees the linking of wages to inflation, has not been endorsed by Communist members of the GSEE leadership, nor by Communist unions in the Confederation.

Gromyko hits out at U.S.

MR ANDREI GROMYKO, the Soviet Foreign Minister, yesterday condemned Washington's approach to superpower arms talks next month as light-hearted and hypocritical, Reuter reports from Moscow. If the negotiations failed, the U.S. would be to blame, he said.

Nato leaders appeared to be addicted to the arms race, he claimed.

"The light-heartedness with which certain circles of the U.S. approach the negotiations . . . deserves to be sternly condemned," he said, referring to three-tier arms stockpiles, the easier it is to come to terms with their reduction."

He added: "The hypocrisy of such statements cries out at you."

Italy and Britain plan to make extradition easier

BY JAMES BUXTON IN ROME

BRITAIN and Italy are to start work on a treaty aimed at making it easier to extradite people wanted for terrorist and drugs offences, Mr Leon Brittan, the UK Home Secretary, announced the news here yesterday after talks with Sig Mino Martinazzoli, Italy's Minister of Justice.

Problems with the existing extradition treaty have been mounting, and Italy is believed to want several Right-wing terrorist suspects sent back from Britain.

The treaty does not cover terrorism or drug trafficking, and Italy finds the UK procedures difficult to apply. While a new pact is being drafted, Britain will help Italy make its extradition applications more likely to be more acceptable to British courts, Mr Brittan said.

He would not be drawn on whether there were Italian terrorist suspects in Britain.

Italy has found that British courts require a much higher standard of prima facie evidence that a serious offence has been committed than do its own.

Soviet officials criticised for shortfall in oil output

BY PATRICK COCKBURN IN MOSCOW

THE SERIOUSNESS with the Kremlin views the fall in Soviet oil output to 613m tons last year has been underlined by the heavy criticism of Communist Party and state officials, as well as local managers, expressed at a party meeting in the key oil province of Tyumen last week.

The slow development of the Tyumen oilfields, scheduled to produce 385m tons of crude this year under the present five-year plan, is attributed to a failure at all levels to cope with the difficulty of extracting oil from less accessible deposits.

The meeting was attended by Mr Vladimir Dolgikh, the Politburo member responsible for energy and heavy industry, who heard an account of the failure of capital construction to keep up with the development needs of the Tyumen oilfields.

The difficulties facing the oil industry have already led to personnel changes. Mr Vasily Dinkov was recently appointed oil minister and Mr Vladimir Chirskov head of the key ministry of construction for petroleum and gas industry enterprises last year.

Japanese seek European links

BY CHRISTIAN TYLER, TRADE EDITOR, IN LONDON

THE BRITISH Government has been given a list of between 200 and 400 Japanese companies, mostly small or medium-sized, that want to set up subsidiaries in Europe.

The list has been provided by Japan's Ministry of International Trade and Industry (Miti), which is said to be keen to co-operate with an investment promotion campaign to be formally launched by the UK in April.

Japanese co-operation can be explained by Miti's desire to minimise the political friction caused by Japan's persistent trade surplus with the EEC and by the wish of some Japanese companies to get inside the EEC's common external tariff system and to circumvent "voluntary" export restraint agreements.

Ministers are keen to attract companies in the field of health care, robotics and other advanced electronics that could contribute to the "reindustrialisation" of Britain as well as create new job opportunities. Britain is already the major host to Japanese direct investment in Europe.

The promotion campaign is in reply to what is seen as mounting continental competition for foreign investment. Even France, traditionally hostile to foreign investment, has signalled a change of heart. Spain is seen as another big competitor, because until it joins the EEC it will not be constrained by Community rules about incentives.

It emerged yesterday that two big British accountancy firms, Price Waterhouse and Deloitte's, have agreed to sponsor the campaign.

The UK Department of Trade and Industry's Invest in Britain Bureau has invited banks, airlines, shipping companies and others to contribute a total of £1m ($1.1m) in cash or kind on top of the £1m that the Government is to spend on the nine-month sales drive.

Although no target has been set for increasing inward investment, the British Treasury has insisted that the results of the campaign should be monitored.

Strong dollar pushes up Swiss inflation

ZURICH – The strong dollar is boosting import prices and causing a deterioration in Swiss inflation which rose sharply in January, according to commercial bank economists.

The year-on-year rise in wholesale prices leapt to 2.3 per cent in January from 2.4 per cent in December, and the rise in retail prices was 3.5 per cent compared with 2.9 per cent.

They said particularly cold weather last month had contributed to the rise in both indices, mainly because of higher heating oil and vegetable prices. They added, however, that imported inflation due to the high dollar was also playing a key role.

In its latest monthly economic report, Crédit Suisse said the situation was a cause of concern and added that the weak Swiss franc was producing inflationary pressures on the import side.

"Quite how acute these pressure are can be seen from the fact that import prices have been increasing at a rate of over five per cent at a time when the dollar price of raw materials is declining," it said.

Crédit Suisse said this situation could lead to a deterioration in the prospects for both interest rates and the Swiss economy.

Turkey's trade gap widens

By Our Ankara Correspondent

TURKEY'S TRADE deficit widened slightly last year, according to provisional figures, even though exports rose 24 per cent. The deficit is reckoned at $3.6bn (£3.25bn), well above target, and compares to $3.5bn in 1983.

Exports totalled $7.1bn, against $5.7bn the year before. The increase is largely a result of export-oriented policies adopted by Prime Minister Turgut Ozal.

However, imports grew by 16 per cent to $10.7bn. Import demand was sluggish in 1982 and 1983 largely because of the decline of the lira. But the Government has lifted restrictions on imports of many categories of luxury goods, and consumer items—

The main interest, however, centres on the as yet unannounced current account deficit which was $2.1bn in 1983. There have been reports that it could be as high as $2.2bn, having reached $1.8bn by the end of November.

This would be a severe disappointment for the Government which hoped to bring it well below $2bn. Officials say the method of calculating the current account may be revised to include deposits placed with the Dresdner Bank in West Germany by Turkish expatriate workers under a scheme which allows the Turkish central bank to make use of their funds.

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David Barchard and David Buchan report on the new strains besetting Turko-Bulgarian relations

Ankara tries to temper outcry over effort to 'Bulgarise' Turks

TODAY the Turkish Parliament goes into secret session to debate the severe new strain placed on relations with Bulgaria by that country's fresh drive to "Bulgarise" its 800,000-strong ethnic Turkish minority.

Last week, the Turkish Government recalled its ambassador from Sofia. This week it publicly stated that Turks in Bulgaria were under pressure "to change their names and religion" and, yesterday, it called in the Bulgarian ambassador in Ankara, who claimed the problem was a fiction of the Turkish and international Press.

If that was so, the Turkish Foreign Minister retorted, Sofia had no reason not to let Turkish diplomats and journalists into the main ethnic Turkish areas in the south east and north east of Bulgaria.

It is the growing publicity given to the plight of the ethnic Turks that has, to some extent, forced the hand of the Turkish government, which is, for a variety of political and economic reasons, keen to play the current crisis with Bulgaria as cool as it can. Mr Turgut Ozal, the Turkish Prime Minister, has warned against "impulsive behaviour" and said a negotiated solution, including perhaps a new emigration agreement with Bulgaria, would best serve the interests of all Turks.

For its part, Bulgaria has publicly rebutted allegations that it is mistreating its ethnic Turks. Privately, however, it has tried to smooth over the rift with Ankara, asking, for instance, Sir Geoffrey Howe, the British Foreign Secretary, to pass on a conciliatory message when he travelled from Sofia to Ankara last week.

The message, from Mr Peter Mladenov, the Bulgarian Foreign Secretary, carried the implicit admission that there was indeed a "problem," though not on a scale, he said, that should perturb "friendly" Turko-Bulgarian relations. The question of ethnic Turks changing their names to Slavic ones was a "private" one. It would not affect their religion, he said.

The latest "Bulgarisation" drive seems to be the final stage of a five-year campaign to issue all Bulgarian citizens with new identity cards in advance of the next population census in December. There has been no independent verification of reports that police may have used force or that as many as 500 ethnic Turks have been killed resisting any such force. But it seems evident from stories percolating from the often scattered rural areas where the ethnic Turks live that they have been under strong pressure, psychologically at least, to change their names on the new cards, from Mehemet, for instance, to Mikhail.

The same tactics appear to have been applied in the early 1970s, to a group of some 120,000 Bulgarian Moslems, or Pomaks as they are known. These are ethnic Bulgarians who are Slav speakers but who, during the long Ottoman occupation of Bulgaria, adopted the religion and the names of their Turkish overlords. The Pomaks are concentrated in the south along with larger ethnic Turkish communities.

The general Bulgarian policy of erasing minority identities goes back somewhat further to the mid-1960s, when the 200,000-strong Macedonian minority in the west of the country ceased to be recognised in the census. The same goes for the once-large gypsy minority. At present, only two very small minorities, Armenians and Jews, still have official organisations and printed publications. The aim would appear to be for the census to be able to represent Bulgaria as virtually ethnically pure by the end of this year.

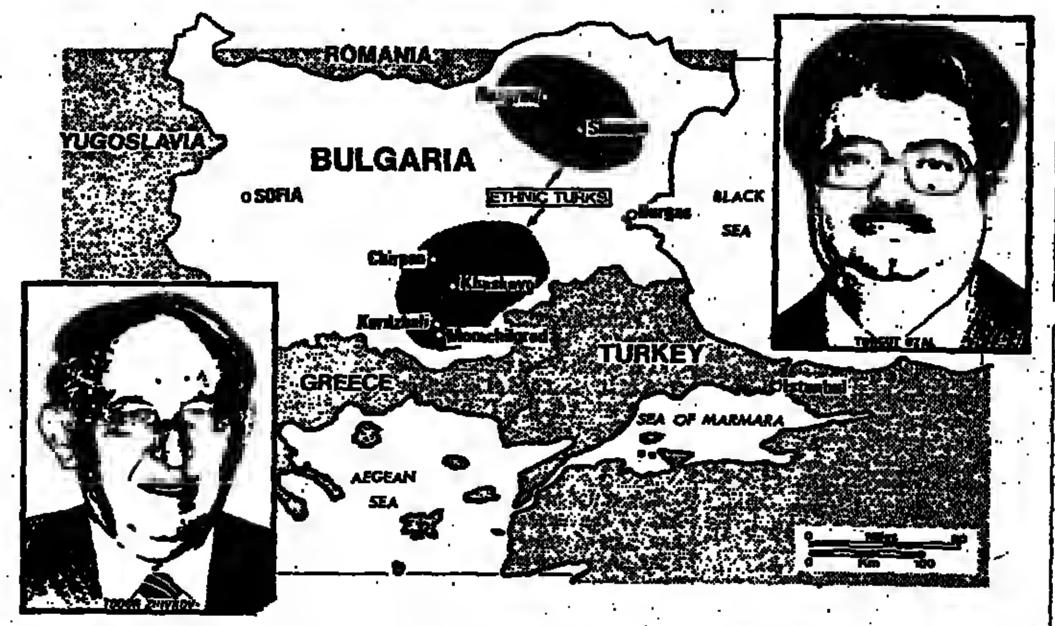
There are clear restraints on Turkey's ability to oppose such a policy. The Turks perceive that Soviet backing for Bulgaria gives them little chance of winning much through confrontation and there could be a great deal to lose.

Bulgaria supplies western Turkey with between 3 and 4 per cent of the total annual electricity consumed under an arrangement which was originally intended to be temporary.

Furthermore, energy imports from Bulgaria will increase when a spur of the Soviet natural gas pipeline is built to meet the needs of industry in Turkish Thrace and the Marmara region.

The Bulgarian and Turkish economies are interlocked in other ways—fleets of Bulgarian lorries travel across Turkey's highway system on their way to Iraq and the Arab countries and Turkey is anxious that they should continue to do so.

Pragmatic considerations aside, however, feelings run high in Turkey because of the large numbers of Turks who have been migrating from Bulgaria to Turkey since the 1920s.



Their numbers can only be guessed at but they make up a major element in western Turkey's towns and villages. Other Turkish immigrant families from Yugoslavia, the Caucasus, other parts of the Soviet Union, and from Greece, make up an even larger slice of Turkish society. All these families have vivid memories of persecution and eviction and tend to feel an instinctive sympathy for the beleaguered Turks of Bulgaria.

Two programmes to reunite divided families since 1950 have brought several hundred thousand fairly recent arrivals. But life has not always been easy for them in Turkey. Because they are at the bottom of the pile in a country with an estimated 20 per cent unemployment finding jobs can be hard. The search, until recently, has been made harder by Turkish official fears that the new arrivals might be penetrated by Bulgarian intelligence agents.

Despite this, emigré groups have been urging the Government to take in all of the Bulgarian Turks—a solution which would be in line with practice since the late 19th century.

But in the Turkey of the 1980s, absorption of 800,000 or more refugees looks impossible.

Turkey is thus eager to find some way of defusing the situation.

It has in the past overlooked or played down almost equally emotive difficulties with Bulgaria—for instance the blatant effort to "destabilise" it by channelling arms and money to underground terrorist groups of both Right and Left before the 1980 military takeover, as well as a succession of minor espionage scandals, some of which never reached the Turkish Press.

What Ankara is probably most anxious to avoid is any kind of permanent fixation of Turkish public opinion on the problems of the ethnic Turks, of the kind which happened in Cyprus in 1954 and destroyed two decades of good working relations with Greece.

There may be other anxieties. Talk of the events in Bulgaria has revived the more or less abandoned discussion in the Turkish Press of the plight of the "dis Turkler"—Turkish communities in the Soviet Union and elsewhere.

While the allegations of atrocities in Bulgaria raise humanitarian considerations that no Turkish Government can afford to overlook, no Turkish Government is eager to let good working relations with neighbouring countries fall prey to a revival of pan-Turkish irredentism.

OVERSEAS NEWS

Pressure mounts on Israel to speed up Lebanon withdrawal

BY DAVID LENNON IN TEL AVIV

PRESSURE to speed up the withdrawal of Israeli troops from Lebanon is growing after intensified guerrilla attacks on the Israeli forces. At the same time, the army is urging the use of harsher retaliation against the guerrillas and their supporters in the Shia Moslem villages in southern Lebanon.

Prof Amnon Rubinstein, the Communications Minister, sent a letter to Prime Minister Shimon Peres yesterday, calling for a quicker withdrawal in the light of the increasing casualties being suffered by Israeli forces.

He was expressing the feelings of a growing number of Israelis that there is no point in prolonging the planned pull-out when there is nothing to be gained from the delay except pain and anguish over the continuing death toll.

The military are frustrated by the success of the Lebanese resistance whose operations claimed three lives this week and four last week. The senior army echelons are particularly disturbed that two colonels were among recent fatalities.

Senior officers in Lebanon were quoted on Israel Radio as saying that the security situation was deteriorating rapidly. Another Israeli soldier was wounded yesterday in one of three guerrilla attacks in southern Lebanon. The radio also quoted ordinary soldiers as saying that they should be withdrawn immediately because of the price in casualties which they have to pay for their continued presence in Lebanon.

These sentiments found surprising support yesterday in a front-page editorial in the normally hard-line, mass-circulation Yediot Aharonot newspaper. "We have to withdraw our people from there not in stages, long-term or short-term, but immediately, today, and not remain there for even one unnecessary moment," said the editorial.

The Cabinet is expected to discuss the timing of the second phase of the withdrawal shortly after the Prime Minister returns from his current visit to Europe. Some ministers from the right-wing Likud block will oppose any further withdrawals but are expected to be outvoted in the Cabinet.

Israel completed its pull-back from the Sidon area on Saturday and has already begun withdrawing military equipment from the eastern sector. According to the army, this operation could be speeded up and completed within a few weeks, once the Cabinet gives the go-ahead.

● Israel was condemned in two resolutions adopted by the United Nations Human Rights Commission yesterday for violating human rights in occupied Arab territories, Reuter reports from Geneva.

The UN Security Council was urged to impose sanctions on Israel. The U.S. was the only country to oppose both resolutions, declaring parts of them "grossly distorting."

A$ suffers sharp decline against major currencies

BY LACHLAN DRUMMOND IN SYDNEY

THE AUSTRALIAN dollar went into free fall yesterday, closing 5.2 per cent down against the U.S. currency, giving an all-time low in trading and falling sharply against other major currencies.

At the close of trading in Australia the local unit was down to a mid-rate of 70.5 U.S. cents, a fall of 3.93 U.S. cents from the previous night's close. It was also almost 2 U.S. cents below the day's opening quote, but 30 basis points better than the all-time low against the dollar of 70.1 U.S. cents reached during trading.

Despite yesterday's dramatic collapse and an overall 13.5 per cent decline since the start of the year – the bulk in the current month – the Government and reserve banks have held back from intervention, preferring to leave the currency to find its own level.

However, there is speculation that the Government will boost interest rates as a means of propping up the currency

K.K. Sharma in New Delhi dissects the report of an official Indian investigation into the Bhopal tragedy

Carbide accused of criminal failure over gas deaths

AN OFFICIAL team of investigators inquiring into the poison gas leak that killed more than 1,400 people in Bhopal last December claim that there was "total and criminal failure" on the part of Union Carbide to provide against the dangers of the lethal methyl-isocyanate (MIC) gas.

Their detailed report will be presented to a judicial commission of inquiry that is to begin hearings in the next three or four weeks. The report lists a series of alleged lapses on the part of the Union Carbide management.

Describing the measures to stop the leakage of gas as highly inadequate, the investigators say they have found evidence that some of the safety measures at the plant site were not even operational on the fateful night that the gas leaked.

The Union Carbide factory had a vent head flare and vent gas scrubber to neutralise the toxic gas. In addition, there was a water-spraying scheme with hoses around probable areas of leakage. (Water in the right quantities is a neutraliser.)

According to the investigators, the vent head flare was totally shut down for maintenance work on the night of the leak. The scrubber was commissioned manually, but at a much later stage of the leakage. The water hoses were started still later. Except for pouring water on the turbulent MIC tank and the connecting pipeline, no other efforts appear to have been made, say the investigators.

Besides the inadequacy of safety measures on the night of the leak, the investigators claim to have discovered that contingency plans and emergency drills were imperfect. A major failure of the entire set-up was that a leakage of this magnitude was never contemplated or planned for, they say.

In the event of a leakage, the only action planned was an instruction that someone "should sound the alarm and inform the district administration."

The investigation team found that the two alarm systems in the factory were meant for employees only and not for people living in the vicinity. No alarm for the general public was ever sounded; and no emergency drills, safety measures, precautions or information was ready for Bhopal's citizens.

In scrutinising the history of the plant, the investigators found there had been six accidents since 1976. Three of these involved gas leakages and there had been one fatality. The reasons for all three leakages were mishandling of materials, and failed or leaking valves. Despite the "frequency of toxic gas exposure," adequate remedial measures were taken.

Furthermore, the team found, a Union Carbide safety survey conducted in May 1982 listed 10 major hazards with a "higher potential for a serious incident or more serious consequences if an accident should occur."

These included: the lack of reliable back-up measures; the possibility of the release of toxic materials in the gas units and storage areas; the possibility of dust explosions; the risk of contamination in the event of excess pressure on the MIC feed tank; deficiencies in procedure applications, and problems of high personnel turnover at the plant.

The investigators say that, although remedial measures were suggested, little appeared to have been done. For instance, despite the detailed safety note on leaking valves, leakage of gas was noted on October 6 1982. For this reason, "the defects pointed out could very well have been the writing on the wall, producing just the kind of accident that happened in December," said one investigator.

The investigating team is particularly alarmed by the fact that the safety report was confined only to concern for the factory workers.

Although major hazards which could lead to "serious incidents with serious consequences" were noted, no particular attention was given to the safety of the general populace in the area, no safety drill seems to have been prescribed, and no general alarm system was in operation.

Although the lethal potential of the gas was realised, a copy of the report was never given to the state government, the dangerous potential of the MIC was never pointed out and, the investigators say, the plant authorities always played it down.

One of the main allegations expected at the hearing is that Union Carbide failed to provide the same safety measures that apply to its similar pesticides plant in Virginia.

The investigators contest the company's claim that the Bhopal plant and the parent plant in Virginia were run on the same pattern and with the same safety precautions.

Firemen spray water on a cloth barrier at Union Carbide's plant in Bhopal, while scientists convert deadly gas into harmless pesticide

According to their information, the U.S. plant is more dependent on computerised operation while the Bhopal factory is mainly manualy operated.

The investigators say there is always e chance of human failure, whereas alarms and controls give better automatic performance if computer-based.

The investigators bave also found design flaws and contradictions in the expected gas flow in emergencies, and in the capacity of safety measures.

The Indian company made e basic change when it joined, with the help of a flexible pipe, two separate pipeline systems (the relief valve vent boader and process vent header were apparently joined). There is considerable doubt among the investigators whether this was done with the approval of the U.S. company.

According to the investigators there was no proper and accurate system of calculating the availability of gas stocks in the storage tanks. In the tank that did the damage, the overall presence of gas was initially given as 45 tons. Later, the records indicated it to be 43.6 tons.

After the accident, plant officials initially said there was 15 tons of gas in the tank and said the rest had escaped. During rechecking it was found there was no gas inside the tank.

In an adjacent tank, the quantity of gas present was reported to be 15 tons, but during "operation faith" (when the remaining gas in the tanks was neutralised), the amount found was 20.7 tons.

It was always asserted by plant officials that a third tank, meant for emergencies, was totally empty. During a later check, this was found to contain ono ton of gas. This did not comply with safoty manual instructions which prescribed that one tank should always be kept empty for tho sake of safety.

This, according to tho investigators, indicated the "casual and callous" concern about the doadly gas in the plant.

On the night of the leak, the plant's employees appear not to have realised the gravity of the situation for more than an bour.

Their own senior officials and the district government were not informed at this time—in fact the works manager had to be informed by the district officials of the disaster.

A major criticism of the company is that they bad failed to instal e foolproof early gas leak warning system. Instead, they depended on the smelling of gas by workers, the smarting of their eyes or breathing discomfort.

There was no data on wind direction. Had there been, the anthorities could have mado e prompt analysis of tho situation and predicted the likely areas in which the gas was going to spread. The investigating team says that early availability of this information could bave saved lives.

A refrigeration system, intended to help to keep the stored MIC gas cool and in liquid form so that it did not vaporise, was found to beve been shut down. This is mentioned as an example of safoty systems being shut down for maintenance without an eye to the possible consequences.

Investigators think that the basic cause of the disaster was the vaporisation of the stored liquid gas after a "runaway reaction" because of water in the storage tank.

This led to such a build-up of pressure that the 4-inch concrete slabs covering tho storage tank cracked and burst.

The water in the tank, they believe, was due to the joining of the pipes for the relief of the valve vent beader and the process vent header which should have been independent of each other (as in the original design.)

It has still to be established how much water is needed to cause such a violent reaction in the tank or how many valves were leaking on the fateful night.

For this, a closer examination is to be made soon.

Government sacks banking chiefs

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government has dismissed the heads of three nationalised banks.

The three sacked by the government are Mr B V Sonalkar, chairman and managing director of the Central Bank, Mr S L Baluja, chairman of the Punjab National Bank, and Mr S. S. Master, executive director of the Bank of Baroda.

Although no reason was given for the sackings, banking circles believe the first two are linked with the financial deals between the London branches of the Central Bank and the Punjab National Bank and the London-based Esal commodities concern owned by Mr Rajendra Sethia, an Indian businessman.

Mr Sethia's Esal commodities concern crashed last year with debts of around £200m (£181m).

It is thought that about $80m of the money lent to the Esal group has still to be repaid. This, it is thought, could be difficult in view of a recent liquidation order. The Central Bank has a large stake in the group.

The Indian Government has been seriously concerned about reports of irregularities in the London branches of the two banks, and their involvement in the affairs of the Esal group is said to be the main reason for the sacking of the executive heads.

The charges concerning the Bank of Baroda follow allegations that traders have misused finances provided by a branch in Calcutta.

The dismissals are reported to be part of efforts by Mr Rajiv Gandhi, the Prime Minister, to improve the efficiency of the banking system and other public-sector undertakings.

Major changes in the boards of the other nationalised banks are expected in the next few weeks.

● Thirteen Indian Army soldiers and a civilian were killed when Naga insurgents ambushed a truck near the Indo-Burma border in the north-eastern Indian state of Manipur, the Manipur Legislature was told by the Chief Minister, Mr Rishing Keishing yesterday.

AMERICAN NEWS

ARGENTINA'S DEBT CRISIS

Resignations raise doubts over IMF deal

BY JIMMY BURNS IN BUENOS AIRES AND PETER MONTAGNON IN LONDON

MONDAY night's abrupt resignation of Argentina's two top economic officials could hardly have come at a worse time for the International Monetary Fund and for leading bankers who are struggling to keep the lid on a still simmering developing country debt crisis.

Not only does it inject a new note of uncertainty less than a week after the IMF disclosed that it can make no further loan payments to Brazil until that country agrees a new economic programme which takes into account a serious overshoot of the domestic money supply. It is also a setback to Argentina's own efforts to conclude a $20bn (£18bn) debt rescheduling package which contains a much needed $4.2bn credit from commercial bank lenders.

Worries about the fate of this package and of Argentina's fragile IMF agreement on economic reform dominated initial banking reaction to the news that Sr Bernardo Grinspun and Sr Enrique Garcia Vazquez had resigned as Economy Minister and central bank president respectively and been replaced by Sr Juan Sourrouille and Sr Alfredo Concepcion.

Combined with the latest development in Brazil, and the current tough talks between Mexico and the IMF, a new and dangerous situation seemed to be appearing in which IMF stabilisation programmes could crumble one after another.

Yet, in Buenos Aires, the departure of Sr Grinspun seemed to be an occasion for neither surprise nor regret. At home and abroad his violent temper and fits of personal pique have made him quite simply one of the most unpopular Economy Ministers the country has ever had. Last weekend for example, an astonished Press corps watched the Minister physically accosting a heckler after being called "a bad version of Al Pacino." Sr Grinspun must also be one of the very few Economy Ministers who has ever dared slam down the phone on M Jacques de Larosiere, Managing Director of the IMF.

His departure after having completed the IMF negotiations last December, had grown to be widely expected in Argentina as a step that would be needed to restore the credibility of the Government of President Raul Alfonsin in the midst of its mounting economic problems.

Inflation touched 776 per cent last month at an annual rate and there has been increasing friction between the Government and the trades unions which have been asked to accept curbs on real wages as part of the IMF deal. Clearly a more diplomatic approach to economic management was needed.

More subtle, although still clearly discernible in the spate of rumours that daily engulf the local media, had been Sr Grinspun's differences of opinion with Sr Garcia Vazquez. Both men had fallen prey to ideological differences and politicking which have wracked the Radical Party with varied persistency ever since it came to power in December 1983.

The Left wing of the party had become increasingly critical of what it alleged was Sr Garcia Vazquez's over-cautious approach to pending issues like financial and taxation reform.

Other more conservative sectors of the party had begun to put the blame for the country's economic misfortunes on what they alleged was the technical incompetence of Sr Grinspun.

By accepting the resignation of both men, President Alfonsin hopes to have poured water on such political fires and to have ensured a measure of cohesion in his Cabinet.

The new Economy Minister, Sr Juan Sourrouille is a close friend of President Alfonsin who has remained untouched by the political battles—he is widely regarded as a technocrat and, although he is clearly sympathetic to the Radical Party, he is not actually a member of it. He is likely to find it easy to work closely with Sr Alfredo Concepcion, the new central bank governor who, although a party member, has shown an ability to cut across the ideological divide.

Sr Sourrouille, in his previous post as Under-Secretary for Planning, had earned the reputation as a conciliatory pragmatist, always prepared to listen as much as to be heard. Were it not for the regular briefing sessions he has maintained, with both the Argentine and foreign Press, it is doubtful whether the public at large would have had any clear idea about the Government's intentions.

Sr Sourrouille is respected by both businessmen and union leaders as the man responsible for producing last month a hefty document entitled "Outlines for a Strategy of Economic Growth 1985-89," which is the closest the Government has come to a medium-term plan. In a country as inflationary as Argentina, most people find it difficult to think beyond the next day and the plan was welcomed as a bold attempt to instil some faith in the future.

The new Minister's emphasis is on finding a lasting solution to the country's problems that would allow the Argentine economy to grow while at the same time honouring its debt obligation. In a clear attempt to avoid the antagonisms of the past, the document focuses on what Sr Sourrouille calls a "positive adjustment of the economy" that is compatible with the agreement with the IMF.

The key to development lies not only in a substantial reduction of inflation but Argentina's ability to improve its debt service ratio through a significant increase in exports. Sr Sourrouille forecasts a real annual growth rate of 6.4 per cent and 11.9 per cent for agricultural and industrial exports respectively.

Significantly, one of the main export boosts is expected to come through foreign investment in the energy sector. Sr Sourrouille apparently recognises that any radical break with Argentina's creditors would work against Argentina's prospects for growth.

At the same time he is likely to follow his predecessor in seeking greater flexibility from the Fund and a closer alliance with the Brazilians in order to help secure an early compromise solution agreeable to both debtors and creditors.

Sr Sourrouille's good credentials notwithstanding, the possibility of such an alliance leading to a new spirit of confrontation between debtors and the IMF still had bankers anxious yesterday.

So did the timing of the resignations, coming as they did when Argentina was within spitting distance of gaining full commitments to its $4.2bn bank loan.

There is now little prospect of this loan being completed until the new team's intentions become clear.

Meanwhile, top bankers were seeking urgent clarification from Buenos Aires on whether the IMF programme will continue to be respected. The IMF itself was keeping mum. And, in the broader banking community, a spirit of apprehension prevailed.

First cruise missile test in Canada under way

By Bernard Simon in Toronto

THE FIRST free-flight test of a U.S. cruise missile over Canada began yesterday following a Canadian Supreme Court decision dismissing a last minute bid by a national disarmament organisation to halt the test.

The unarmed missile test coincides with a growing public controversy over Canada's nuclear obligations towards the U.S., following New Zealand's refusal to admit American nuclear-powered warships to its ports and reports that the Pentagon's contingency plans include the stationing of nuclear weapons in Canada.

The Supreme Court took only 10 minutes to reject the application for an injunction halting the cruise missile test. But protesters said they planned to go ahead with efforts to disrupt the test by placing balloons along the missile's flight path.

Demonstrations have also been organised at the air force base in Northern Alberta where the test was to end.

The missile was due to follow a 2,500 km route flying at a height of 50-150 metres above ground after being launched from a B52 bomber above Canada's north-west Arctic region.

Canada is a key testing area for the cruise missile. Not only is the terrain similar to much of the Soviet Union, but both American and Soviet missiles would probably overfly Canada to reach their targets in enemy territory.

Canada's strategic importance has contributed to the growth of a vociferous anti-nuclear lobby which has called on the Government to halt all nuclear defence co-operation with the U.S.

The last nuclear warheads were removed from Canadian soil in July 1984, but Government policy on the future stationing of nuclear weapons in Canada is unclear.

Mr Joe Clark, External Affairs Minister, insisted that Ottawa will not permit nuclear arms to be sited in Canada, but the U.S. has reminded Canada that it is committed by its membership of Nato to accept nuclear warheads in an emergency.

Allies support for Star Wars research growing says U.S.

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. Administration said yesterday that it had detected growing West European interest in participating in research under President Ronald Reagan's Star Wars programme to develop strategic defences against incoming enemy missiles.

The prospects for European collaboration in the project are among the subjects expected to be discussed by Mr Reagan and Mrs Margaret Thatcher, the British Prime Minister, in talks at the White House today.

At the same time, a senior Administration official said Mr Reagan was likely to reassure Mrs Thatcher that the U.S. would not leave its European allies in the lurch by deploying a defensive umbrella over the U.S. to the exclusion of Western Europe.

Mr Reagan firmly believed that Star Wars technology should be applied to protect Western Europe as well, the official said. He added that in some technological areas it might even be easier to deploy missile defences in Western Europe than in the U.S.

U.S. officials said that while West Germany was particularly interested in participating in Star Wars research, they knew of now specific proposals that might be made by Mrs Thatcher for British participation.

The UK, however, is understood to be interested in cooperating, although no final decision has been taken in London.

Mrs Thatcher is also expected to present Mr Reagan with the UK's views on the conduct of the U.S.-Soviet arms talks that are to resume in Geneva on March 12.

One objective during the Washington talks would be to "strengthen the arguments for excluding the British and French nuclear forces" from the Geneva talks, according to U.S. officials.

While Mrs Thatcher's visit is expected to be dominated by discussion of strategic and international economic issues, the U.S. also wants to raise what it regards as "the growing problem" of "co-ordinated multinational terrorism in Western Europe," the officials said.

Terrorism experts from the seven countries attending the annual Western economic summits are to meet next month to discuss progress in co-ordinating their anti-terrorist operations in advance of the Bonn summit in early May.

U.S. housing starts rise by 15% in January

BY STEWART FLEMING IN WASHINGTON

A SURGE in apartment building in January has boosted housing starts in the U.S. by 15 per cent from the December level to an annual rate of 1.83m, reinforcing expectations that the housing sector will join the car industry as a prop for continued economic growth in the first quarter.

There was also a significant rise in the number of building permits issued during the month to an annual rate of 1.7m.

Mr Michael Sumichrast, an economist with the National Association of Home Builders, said the level of permits "will support another couple of months of very strong construction activity." He added that a survey of builders suggested they are expecting housing sales in February to be at their highest level for eight years.

Mr Larry Speakes, the White House spokesman, welcoming the news, said: "It reflects recent drops in the prime interest rate and mortgage interest rates. Housing is an historic barometer of economic activity because it reflects the cost and availability of money as well as consumer confidence in the economy." He added: "Right now that barometer is rising."

The 2 percentage point decline in mortgage interest rates since the summer to around 13 per cent for a fixed rate mortgage is seen as a key factor likely to boost housing starts and sales this year.

However, the housing market nationally presents a far from uniform picture.

Castro outlines constraints on Managua military aid

BY HUGH O'SHAUGHNESSY

CUBA would find it "materially impossible" to aid Nicaragua if it were invaded by the U.S., said President Fidel Castro of Cuba in an interview on Monday with the Spanish news agency Efe.

The Cuban leader's words were the most public declaration of what he has been saying to the Nicaraguan leadership privately for some years.

He added, however, that any U.S. invasion would be "an act of great folly" which would have repercussions throughout Latin America.

President Castro said that Cuban military aid for Nicaragua was confined to training and administration and that it was "almost impossible" for Cuba to assist the insurgents El Salvador.

He said the U.S. Government was not negotiating seriously with the Nicaraguan Government but if it wanted to negotiate, he was sure arrangements were possible which would satisfy all sides.

On Latin American debt the Cuban leader claimed there would be "total political destabilisation" and a "social explosion" if the debtors' burden was not lightened. He called for a 10 or 20 year grace period on principal and interest.

President Castro strongly criticised the European Community for subsidised agricultural exports.

Nicaragua seeks fresh peace talks

BY TIM COONE IN MANAGUA

THE NICARAGUAN Government has made a further call for the renewal of peace talks with the U.S. at the Mexican resort of Manzanillo.

The call was made on Monday by Sr Miguel d'Escoto, the Nicaraguan Foreign Minister, who appealed for the support of other Latin American nations to pressure the U.S. to renew the bilateral discussions.

The U.S. Administration broke off negotiations with Nicaragua one month ago and is presently urging Congress to renew financial aid for the "contras" seeking to overthrow the left-wing Sandinista Government in Nicaragua.

Dr Sergio Ramirez, Nicaragua's vice-President, who has just returned from a four-nation tour of Europe, added that the governments of France, Spain and Ireland had promised to support Nicaragua's wish for renewed negotiations.

He said the British Government had made no such promise, but commented on his talks with Mrs Thatcher: "I am sure the Prime Minister heard my position and knows how to communicate it."

Meanwhile, reports from El Salvador say that Sr Eden Pastora, leader of ARDE, the Costa Rican-based guerrilla organisation, is seeking more assistance from the El Salvadorian armed forces for his fight against the Nicaraguan Government.

Sr Pastora apparently met with high-level army officers on a recent visit and, although President Duarte of El Salvador has denied any knowledge of military assistance to the ARDE forces, has confirmed that Sr Pastora visited El Salvador on several occasions.

El Salvador has been an important supply route for U.S. military aid to the Costa Rican-based guerrillas in the past, and is now reputed to be the principal source of supplies since the U.S. Congress cut funds for the Nicaraguan guerrillas last October.

After a considerable lull, there has been renewed heavy fighting in southern Nicaragua over the past weeks, suggesting that ARDE has been able to acquire considerable new stocks of arms and ammunition.

WORLD TRADE NEWS

China close to decision on second HK airport

By David Dodwell in Hong Kong

CHINA'S civil aviation officials are on the point of deciding where to locate the politically sensitive international airport Shenzhen, close to the border with Hong Kong.

Officials from Peking and Guangzhou (Canton) plan to meet in Shenzhen on March 5 to make a final choice between three sites. The favoured site is understood to be at Wangtien, in the extreme west of the Shenzhen municipality.

The Chinese authorities have attached more than usual importance to building the Shenzhen airport, because they expect it to absorb the overspill from Hong Kong's Kaitak airport when this reaches the limits of its capacity, perhaps in the early 1990s.

After 1997, when China regains sovereignty over Hong Kong, officials have indicated that flights into and out of the two airports will be rationalised, with a number of airlines that currently fly into Kaitak being diverted to Shenzhen.

A senior transport official said in Shenzhan last week that the new airport, which will cost a total Yuan 3.1bn (£1bn), is to be built in three stages. The first, involving a terminal building and a 1,800-metre runway, will cost just Yuan 200m, and will handle light aircraft carrying mainly cargo. This is expected to be in operation in 1988. The second stage, costing Yuan 900m, involves extending the runway to take wide-bodied aircraft. This should be complete before 1997, and is intended to cope with 8m passengers a year. The final stage, in which a larger terminal complex will be built, along with a second runway, will cost Yuan 2bn. The airport will then be able to handle 20m passengers, officials say.

Once the site is finally agreed at the Shenzhen meeting in March, tenders will be invited from foreign joint venture partners who will build, and share in the operation of, the airport.

Foreign funding for the project is expected to be necessary, but no loan discussions have yet been held. If precedents set in negotiations over other major foreign joint ventures are any guide, then significant delays in—and modifications of—the project are possible.

Politicians now seem to agree reform is necessary. **Louise Kehoe** reports from San Francisco

California moves closer to repealing unitary tax

FOR THE PAST five years California legislators have considered proposals for the reform of the state's controversial unitary tax system. This year is no different.

Proponents of a change in the system believe, however, that this time there is a good chance legislation will finally be passed to end California's taxation of the world-wide income of companies with operations in the state.

"The Governor is making an open, public and active effort to support legislation. This is the first year that I've seen a marriage of administration and legislative efforts," says Mr Willie Brown, speaker of the state assembly.

Four bills are before the state senate and assembly, and the first hearings are scheduled for next month. It is too early, said Mr Brown, to predict the outcome of these proposals. He believes, however, that there is a greater opportunity for changes this year than ever before.

Ironically, just as California's politicians are reaching a consensus that tax reform is needed, the multinational corporations that have long opposed unitary tax seem to be splitting into an increasing number of factions.

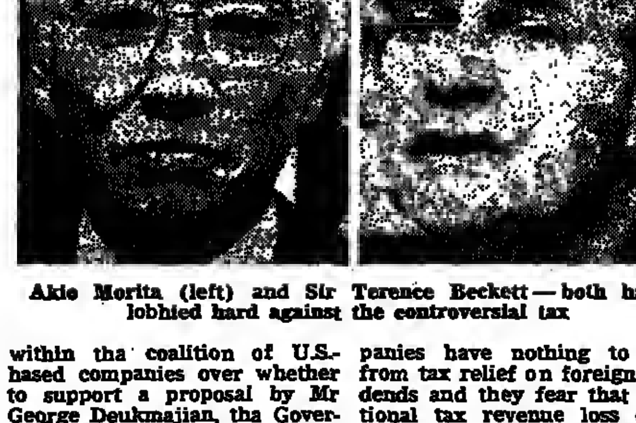
The majority of multinational companies want to get rid of unitary tax, but they are sharply divided upon the details of any tax reform. Last year the unitary tax debate became a "foreign" versus "domestic" issue when a group of 90 U.S. companies, calling itself the California Business Council, mounted a campaign to defeat proposed legislation on the grounds that it unfairly benefited foreign companies.

With many of the high technology companies that have brought considerable economic growth to California among its members, the CBC quickly made itself heard in the state capital of Sacramento. They argued that proposed reforms would not relieve them from paying California taxes on foreign dividends.

"I cannot think of any other country that gives foreign companies preferential tax treatment. This would put us at a severe competitive disadvantage," claimed Mr Gordon Moore, chairman of Intel Corporation, a BCB member.

This year the CBC has drawn up its own set of tax reform proposals, although to date they have not been presented as a tax bill. The U.S. industry group wants "true, geographical, water's-edge, domestic combination tax with exemptions for all foreign dividends." They claim that their proposals would cost the state about $350m per annum in lost tax revenues, less than the $500m of "comprehensive" water's edge (including foreign dividends) but more than the $270m estimated cost of the bills before the legislature.

Now a split has emerged within the coalition of U.S.-based companies over whether to support a proposal by Mr George Deukmajian, the Governor, that companies may elect to be taxed either by the unitary method or according to a new "water's-edge" assessment. Proctor & Gamble and several U.S. oil companies want to retain the right to unitary assessment which allows foreign losses to be counted against earnings. Their fellow U.S. companies do not agree.



Akio Morita (left) and Sir Terence Beckett — both have lobbied hard against the controversial tax

Taking a different point of view on foreign dividend taxes and on several other details of tax reform are two major foreign factions, the Japanese and the British. Foreign companies have nothing to gain from tax relief on foreign dividends and they fear that additional tax revenue loss could prevent the California legislators from taking action.

Although the "foreigns" have concurred in their opposition to unitary tax for a long time, as the prospect now of success looms larger each national group is making efforts to distance itself from the other.

The British take a firm but restrained approach, stressing the importance of British investments. "The British are by far the biggest foreign investors in the U.S., with more than three times the investments of the Japanese," said Sir Terence Beckett, director-general of the Confederation of British Industry, during a visit to Sacramento last week.

The CBI delegates told California politicians that unitary tax is contrary to international principles of taxation and imposes unreasonable tax and administrative burdens on multinational corporate groups doing business throughout the world. They argued that California will lose out on potential investments if it does not change its tax system and that the system inhibits free trade.

The style of the CBI delegation was in sharp contrast to the visits of Japanese businessmen who have taken a more aggressive approach. Just as the California assembly was about to vote on unitary tax legislation last year, for example, Mr Akio Morita, chairman of Sony Corporation, publically declared that Japanese companies promised to invest at least $1.4bn in California and create 11,000 new jobs if unitary tax was repealed.

But California legislators did not like the blackmail threat according to some political aides, and the Japanese actions proved counter productive. Direct promises of real investments and jobs, and the threats of taking them elsewhere in the U.S. are, however, well understood.

The Japanese now appear ready to accept any form of unitary tax repeal, but the British express serious concerns about several aspects of the current proposals.

Any tax reform that is perceived as benefiting Japanese high-tech companies may become unpopular in California this year as the state's own electronics and computer companies struggle through a business downturn to fend off Japanese competition. Industry complaints about unfair competition and a growing trade deficit may heighten public awareness of the state's reliance upon domestic companies.

Several factors have placed the issue high on the state's agenda of political debate. The decisions of other states, including Florida and Aregon, to abandon the tax method—with Colorado and Utah expected to follow — have focussed attention on California's growing isolations.

Last year, California was estimated to have levied $500m of the total $750m in unitary taxes collected by the 13 states which still used the system. California legislators are keenly aware that since neighbouring Oregon repealed its unitary tax system the state has gained $485m in investment and 4,000 jobs from just six companies that decided to locate in the state.

Indicative of growing concern, California is about a launch a promotional campaign to attract inward investment—the first time the state has felt the need to advertise its advantages.

Rover returns to Danish market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER, BL's volume car subsidiary, is moving back into the Danish car market where it was once market leader but quit during the late 1970s.

The company left Denmark because the high taxes, which currently add 180 per cent to manufacturers' prices, forced down pre-tax prices to a level which was unprofitable.

Austin Rover says it will return to the market with "a small number, perhaps a few hundred, of highly-specified cars." The first Danish customers will shortly be taking delivery of the MG Metro 1300 and MG Montego 2.0 models which the company has decided to put on sale.

In the early 1970s BL's car division sold 20,000 cars a year in the small Danish market. Last year Ford, with the help of some low-cost Escorts imported from Brazil, retained leadership with 16.9 per cent of the total 133,517 cars sold in Denmark, followed by General Motors (Opel) with 14.2 per cent. The Japanese as a group had 29.7 per cent with Toyota accounting for 11.1 per cent on its own.

The Austin Rover cars will be imported by the Domi company which never gave up the franchise and kept a dealer network in place to service BL cars on Danish roads. To compensate for the loss of the British business, Domi took on other franchises, for example, for Subaru and Daihatsu Japanese cars.

● Ajax-Holland, export division of De Boer of Amsterdam, has won an order worth Fl 26m (about £6.4m) for the supply of fire-fighting equipment to Angola.

The order, from the Angola State Company Abamat, is to be completed within 13 months and represents phase one of a Fl 80m (£19.7m) project to re-equip and modernise the country's fire service.

Japan ship orders hit record low

FOREIGN orders received in January by Japan's shipbuilders plunged to a record low, the Japan Ship Exporters Association said yesterday, AP-DJ reports from Tokyo.

An association official played down the significance of the January orders, but conceded that the near-term outlook for the industry is "severe."

January's overseas orders totalled a mere two ships, both chemical tankers for Panamanian-registered owners, amounting to 18,900 gross registered tons.

That was down steeply from orders for 23 ships totalling 228,060 tons received in January, 1984, and from 17 ships totalling about 250,000 tons in December.

Samuel Montagu wins Egyptian bank contract

BY TONY WALKER IN CAIRO

SAMUEL MONTAGU, the merchant bank, is assiting the newly-formed Export Development Bank of Egypt to develop its trade financing facilities under an agreement signed this month.

The British merchant bank will help EBDE in its efforts to diversify Egyptian exports through the introduction of new trade finance, credit guarantee and insurance services for exporters.

EDBE, which opened for business early in February, is jointly owned by Egypt's four large public sector banks and the national investment bank. Authorised capital is E£100m (£92m).

Samuel Montagu, a member of the Midland Bank group, is involved also in financing arrangements for the Greater Cairo Wastewater project, a huge scheme funded in part with British backed credits to provide Cairo with a functioning sewage system.

The technical assistance agreement between Samuel Montagu and EDBE will run for two years and is believed worth about £200,000.

Caribbean calls for fresh trade initiative

By Canute James in Kingston

CARIBBEAN countries are calling for a fundamental change in the Caribbean Basin Initiative, a trade scheme implemented by the Reagan Administration 14 months ago.

Several countries have argued that garments and footwear should be placed on the list of regional exports which can take advantage of duty free entry to the U.S. offered by the CBI for the next 11 years.

Fears of damage to U.S. industry by a flood of cheap Caribbean products have kept garments off the duty free list, along with leather goods and tinned tuna.

Mr Hugh Shearer, Jamaica's Trade Minister, has told U.S. Government officials that there was no basis for fears of cheap Caribbean garments and footwear harming domestic production.

"The additional volume of imports into the U.S. market would not damage the American economy in any way," Mr Shearer said.

Mr Richard Cheltenham, the Agriculture Minister for Barbados, claimed the U.S. administration was reneging on a promise to allow "more generous entry" for Caribbean garments. Mr Cheltenham said it was now time for the U.S. to deliver on its commitment.

Mr Cheltenham said the garment sector employed over 20,000 people in the Commonwealth Caribbean.

The pleas are likely to be fruitless. Mr Kent George, the U.S. government official in charge of implementing the CBI, indicated that there would be continuing opposition to the requests for garments and footwear to be included.

Caribbean Governments are apparently hoping that continuing pressure for changes will be as successful as earlier efforts. The U.S. State Department recently accepted Caribbean arguments that importers should not be required to prove the veracity of import declarations on CBI products.

Caribbean exporters argued that this would lead to divulging information which could harm their competitiveness.

UNITED STATES	1983	%	1984	%
Domestic	6,795,302	74.04	7,951,517	76.52
Imports	2,383,799	25.96	2,440,258	23.48
Total market	9,178,101	100	10,391,775	100
DOMESTIC				
General Motors	4,083,561	44.17	4,587,504	44.14
Ford	1,571,321	17.12	1,957,461	18.84
Chrysler	841,622	9.17	986,998	9.50
American Motors	193,351	2.11	190,255	1.83
Honda	50,402	0.55	133,401	1.28
Volkswagen	85,045	0.93	73,838	0.71
IMPORTS				
Toyota	555,766	6.06	557,981	5.34
Nissan	521,902	5.69	485,298	4.67
Honda	350,670	3.82	374,819	3.61
Mazda	173,388	1.89	169,466	1.63
Volkswagen/Audi	124,943	1.36	174,716	1.68
Subaru	156,840	1.70	157,835	1.52
Volvo	88,857	0.97	99,541	0.96
Mitsubishi*	88,248	0.96	87,194	0.84
Mercedes	73,492	0.80	79,222	0.76

* Includes imports sold by Chrysler.

JAPAN	1983	%	1984	%
Domestic	3,100,475	98.87	3,053,727	98.64
Imports	35,336	1.12	41,979	1.36
Total market	3,135,811	100	3,095,706	100
DOMESTIC				
Toyota	1,247,610	39.78	1,274,910	41.18
Nissan	833,145	26.56	804,922	26.00
Honda	245,132	7.8	246,150	7.95
Mazda	244,564	7.79	215,215	6.95
Mitsubishi	189,369	6.03	198,456	6.41
Daihatsu	112,216	3.57	107,280	3.46
Subaru	79,681	2.54	88,191	2.85
Suzuki	90,969	2.90	77,325	2.50
Isuzu	57,809	1.84	41,278	1.33
IMPORTS				
Volkswagen group:				
Volkswagen*	9,464	0.3	10,239	0.33
Audi	3,563	0.11	5,372	0.17
Total VW group	13,227	0.41	15,611	0.50
BMW	6,298	0.20	8,554	0.28
Mercedes	6,612	0.21	7,488	0.24

* Includes cars made in Japan for VW by Nissan.

WEST GERMANY	1983	%	1984	%
Domestic	1,766,170	72.8	1,676,493	70.0
Imports	660,604	27.2	717,446	30.0
Total market	2,426,774	100	2,393,939	100
DOMESTIC				
Volkswagen group:				
Volkswagen*	516,848	21.3	524,063	21.9
Audi	169,204	7.0	143,924	6.0
Total VW group	686,052	28.3	667,987	27.9
General Motors*				
(Opel)	448,637	18.5	389,683	16.3
Ford*	287,999	11.9	293,745	12.3
Mercedes	246,160	10.1	233,649	9.8
BMW	155,683	6.4	159,374	6.7
IMPORTS				
Fiat	101,142	4.2	109,727	4.6
Pueot/Citroen/Talbot	92,011	3.8	95,847	4.0
Renault	89,299	3.7	84,882	3.5
Mazda	55,567	2.4	63,474	2.7
Nissan	46,038	1.9	58,018	2.4
Toyota	56,000	2.3	53,132	2.2
Mitsubishi	37,516	1.5	44,017	1.8

* Includes imports from the company's factories in other countries.

ITALY	1983	%	1984	%
Domestic	1,002,565	63.41	1,031,638	63.05
Imports	578,405	36.59	604,725	36.95
Total market	1,580,970	100	1,636,363	100
DOMESTIC				
Fiat group:				
Fiat	744,268	47.07	747,443	45.68
Lancia/Autobianchi	131,862	8.34	140,749	8.60
Total Fiat	876,130	55.41	888,192	54.28
Alfa Romeo	104,193	6.59	119,808	7.32
Maserati	4,569	0.29	2,812	0.17
Ferrari	584	0.04	639	0.04
IMPORTS				
Renault	161,507	10.21	146,455	8.91
Peugeot group:				
Peugeot/Talbot	43,481	2.79	50,896	3.11
Citroen	57,920	3.66	57,990	3.54
Total Peugeot group	101,401	6.45	108,886	6.65
Volkswagen/Audi	89,946	5.69	96,588	5.91
Ford	72,275	4.57	73,394	4.49
General Motors (Opel)	54,849	3.47	53,263	3.25
Seat	3,639	0.23	31,213	1.91

U.S. beacon shines amid gloom of world's car markets

By Kenneth Gooding, Motor Industry Correspondent

CONTINUED STRONG recovery in the U.S. abone like a beacon in the generally gloomy conditions of the world'a major car markets last year.

Demand in the U.S. reached the stage where domestic manufacturers could hardly keep pece, particularly for large cars which have returned to fashion, while pressure from imports was alleviated by the restraints imposed on the Japanese.

Discounting and other forms of price warfere continued unabated, however, in the Japanese and Western European markets.

World car sales last year are estimeted to have improved by 1.06m or 3.6 per cent to 30.46m. The six major markets accounted for about 68 per cent of world-wide sales and the U.S. elone about one-third.

The U.S. manufacturers boosted factory sales last year by 17 per cent from the 1983 level. Ford sbowed tbe biggest gain among the major companies with e 26 per cent rise in volume, followed by Chrysler, 17.3 per cent (but still not qulte making 1m sales) and General Motors (the Chevrolet, Buick, Pontiac, Oldsmoblle, Cadillac combine) by 13 per cent.

Among the small fry, Honda in its first full year of U.S. car production, made spectacular progress and is fast catching up on the long-established number four producer, American Motors (AMC).

AMC, now 46 per cent owned by end under the management control of Renault of France, has been phasing out its own models in favour of Renault's products. And sales of the Renault Alliance and Encore (American versions of the R9 and R11) were up by 16 per cent while total AMC figures declined by 1.6 per cent.

Volkswagen of America had yet another poor year with sales down by 13 per cent from an already-depressed level. But it was well known that the new Golf was to be introduced to the U.S. last autumn and this gave the VW salesmen edditional beadaches as they attempted to sell the old Golf, known in the U.S. as the Rabbit.

The inter-governmental agreement, which will limit Japanese car exports to the U.S. to 1.85m in the year to March 31, restricted the rise in imports to only 2.41 per cent last year—but the total was still a record.

And several companies set records of thelr own, including BMW, Jaguar, Mercedes, Peugeot, Saab, Subaru and Volvo.

Honda proved that manufacturing in the U.S. need not necessarily limit growth in imports from Japan and achieved a 7 per cent volume increase in Japanese-built models.

Toyota, the biggest importer to the U.S., increased its volume slightly (not enough to prevent its market share falling) while Honda's advance seems to beve been mainly at the expense of Nissan, whose volume fell by 7 per cent, and Mazda, down 2 per cent.

Honda has overtaken Nissan as the second-largest selling Japanese car brand in the U.S. Indeed, the company now aells twice as many cars in the U.S. as it does in Japan.

Not that Honda is failing to make headway at home. Last year it passed Mazda to take third place in the Japanese car sales league.

There are ten manufacturers fighting for positions in Jepan but only two competitors really count: Toyota and Nissan.

The struggle between these two giants bas in the past few years led to a price war even more extreme than that in Western Europe — a war made possible by the profits from U.S. sales.

Dealers in Tokyo are offering discounts of 12 to 15 per cent on new cars when their own margin from the manufacturers is only 20 per cent. The activities of the door-to-door car salesmen, a feature of life in Japan, have become even more frenetic.

In order to stimulate sales, manufacturers are rushing out new models: Nissan's president Mr Takashi Ishihara has indicated that his company will launch seven or eight models in 1985. The company will also dramatically increase the number of dealerships and salesmen as part of its marketing programme which aims to stop the steady decline in Nissan's home market share.

In the circumstances it is easy to see why there is little room for imported cars in Japan. Nevertheless, the import share of the Japanese market improved for the first time since 1979 last year, mainly because of the efforts of the West German companies.

However, imports still represented less than two days' output by the Japanese industry while exports to the U.S. were equivalent to the annual production of seven medium-sized car plants and those to Western Europe would fill four factories for a yeer.

Preliminary estimates suggest that Japanese car sales in Europe remained above 1m last year, having reacbed that level for the first time in 1983, to give a European market share of over 10 per cent.

The Japanese bave taken advantage of what little growth there has been in European demand in recent years, leaving local companies to struggle for market share increases as the only wɩy to increase the volume of domestic sales.

So close was this contest that Ford and Fiet ended 1984 with almost equal European sales. Only ebout 10,000 registrations spread through 17 West European markets separated the companies at the finisb with Ford having about 12.8 per cent of a 10.18m total and Fiat 12.7 per cent.

There was still less than 2 percentage points between Ford at the top and Renault which dropped back from the leeding position to last among the six major European companies last year. The ratings, following Ford and Fiat, were: Volkswagen/Audi, 12.1 per cent; Peugeot-Citroen-Talbot, 11.5 per cent and General Motors (Vauxhall/Opel) 11.1 per cent.

The two French companies were hit because their natlonal market suffered a very sharp fall in demand last year. Sales were down by nearly 13 per cent as the Government tlghtened the screws on the economy.

However, Renault's current weakness—it is behind the otber European companies in replacing lts model range—caused it to lose both volume and maɪket share.

The Peugeot group overtook Renault, mainly because the new 205 "supermini" helped the Peugeot-branded cars to put on over 3 percentage points in the French market. Renauli did not introdoce the R5, whicb competes directly with the Peugeot 205, until the late autumn and that model has yet to make itself felt.

Sales of cars with e Talbot badge fell to such a low level in 1984 that it seems hardly likely the Peugeot group will keep lt alive much longer.

France keeps Japanese car sales to a bare minimum—no more than 2 per cent of the market to be shared between the manufacturers—as does Italy. However, whereas France bas two domestic groups of abont equal strength, Fiat dominates the Italian car market absolutely.

Fiat'a best-selling car, ibe Uno, with 111,550 sales, last year was matched by only two manufacturers with their full ranges of cars.

However, a phenomenon in tbe Itallan market which will not amuse Flat is the rapld rise in sales by Seat; the state-owned Spanish group whicb wes in partnership with Fiat for 30 years until 1980.

The West German car market was in turmoil for most of 1984. Uncertainties about the Government's intentions on the introduction of emission controls for cars and the incentives which might be given to encourage people lo buy vehicles ibat are "friendly" to the environment caused many potential customers to postpone orders.

The six-week strike of melal workers which brought the West German industry to a halt because of a shortage of components also distorted the market—particularly by stopping Opel, the General Motors subsidiary, making further progress. The workforce at Opel went on strike wbereas other car makers arranged for employees to take early holidays while production was halted and then work through the normal holiday period after the strike to catch up on lost output.

The fall in Audi car sales in West Germany last yeer was due almost entirely to the company's decision to divert much more of lts output to the U.S.: its sales in the Siates jumped from 47,934 in 1983 to 71,237. This was not to take advantage of the huge profits to be earned from selling cara for strong dollars but because last year the Porsche sports car company took over lts own marketing ln the U.S. For many years Audi and Porsche were teamed in one franchise there. The Volkswagen group, whicb owns Audi, is determined that Audi will not suffer as a result of the split with Porsche.

A review of the UK car market appeared in the Financial Times on January 29.

UK	1983	%	1984	%
Domestic	771,950	43.08	743,180	43.08
Imports*	1,019,749	56.92	1,006,470	57.52
Total market	1,791,699	100	1,749,650	100
DOMESTIC				
Ford	518,048	28.91	486,971	27.83
BL	325,656	18.18	312,054	17.84
General Motors				
(Vauxhall-Opel)	262,141	14.63	282,835	16.17
Peugeot group:				
Peugeot-Talbot	79,495	4.44	70,519	4.03
Citroen	25,751	1.41	24,542	1.40
Total Peugeot group	105,246	5.85	95,001	5.43
IMPORTS				
Nissan	104,684	5.84	106,360	6.08
Volkswagen/Audi	100,727	5.62	96,603	5.52
Renault	62,923	3.51	59,779	3.42
Volvo	61,250	3.42	59,072	3.38
Fiat group:				
Fiat	46,254	2.58	47,543	2.72
Lancia	3,461	0.19	2,639	0.15
Total Fiat	49,715	2.77	50,202	2.87

* Includes imports from all sources including cars from the Continental associates of UK manufacturers.

FRANCE	1983	%	1984	%
Domestic	1,358,721	67.34	1,127,792	64.14
Imports	658,896	32.66	630,548	35.86
Total market	2,017,617	100	1,758,340	100
DOMESTIC				
Peugeot group:				
Peugeot	390,947	19.37	317,468	18.05
Talbot	89,785	4.45	40,924	2.33
Citroen	259,028	12.84	224,109	12.75
Total Peugeot group	649,975	32.22	582,501	33.13
Renault	708,731	35.13	545,261	31.01
IMPORTS				
Ford	143,521	7.11	138,235	7.86
VW-Audi	115,476	5.72	97,517	5.55
Fiat	102,971	5.10	97,228	5.53
General Motors				
(Opel)	77,313	3.83	76,485	4.35
Austin Rover	30,651	1.52	30,393	1.73
BMW	33,127	1.64	30,220	1.72

THE MANAGEMENT PAGE

Rank Xerox

Optimism shows signs of being repaid

BY ARNOLD KRANSDORFF

THE PAST 20 months have been nailbiting times for Roland Magnin, Rank Xerox's new managing director. All that time he has been waiting for the first tangible signs that this international subsidiary of the ailing Xerox Corporation was responding to his Gallic touch.

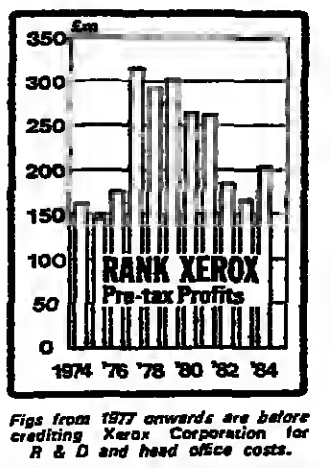
Now the 52-year-old Frenchman—the first non-American or Briton to hold the job—has got his answer. The London-based arm of the copying and office equipment giant, owned jointly by Xerox and the UK leisure group Rank Organisation has just reported that its pre-tax profits for 1984 had jumped by more than a fifth to £202m, the first increase in five years. More evidence of its position will be revealed with today's publication of its report and accounts.

These results were the first solid evidence that the company's downward slide had been halted and that the fight back against largely Japanese competition was beginning to show results.

With his U.S. parent company also showing signs of recovery in the American copier and information systems markets, Magnin's mood is optimistic. In contrast with the defensive postures the company has taken in recent years, he declares: "There is still progress to be made but we are on the right track."

In the 16 years Magnin has been with RX—which operates in world markets other than the Americas—he has seen profits escalate to more than £300m per annum and then in the four years to 1983 collapse to £166m. With a similar pattern in its own markets, Xerox was forced to diversify into other office equipment and, in June 1983, at about the time Magnin was promoted to his current job, a new generation of plain paper copiers was launched in an attempt to recoup the group's flagging market share.

It is against this background that Magnin has been pushing through radical changes in the way RX has traditionally manufactured and sold its products. Through his efforts to be more competitive and marketable, production costs have been slashed, product quality has jumped, overheads have been contained and the sales/distribution networks enhanced.



Figs from 1977 onwards are before crediting Xerox Corporation for R & D and head office costs.

These changes have been all the more difficult for him to achieve because of RX's historical complacency, which was born out of its former market dominance. An unchallenged leader in the reprographics market for almost 30 years, it had begun to rely on its well-established name to sell its products rather than price and design. Production costs were always a secondary consideration to supplying demand, while pricing policy was usually based on the unsophisticated formula of adding a healthy margin to actual production costs.

The effects of competition on its market share were devastating. Just before Magnin took the hot seat, RX's share of the high-volume end of the market had slumped from upwards of 80 per cent to below 50 per cent.

In the important middle range, its share had collapsed from around 70 per cent to about 25 per cent and from roughly 40 per cent to a mere 10 per cent in the growing low-volume copier market. The recent results indicate that the rate of net placements of copiers and duplicators (the number of machines sold, rented or leased after returns) has doubled over the past four years.

To achieve this, Magnin's restructuring has reached into virtually every corner of Rank Xerox, whose sprawling operations include 24 marketing subsidiaries in 80 countries, five manufacturing plants in Europe and four in Japan, where it runs a 50 per cent-owned joint venture with Fuji Photo Film Co.

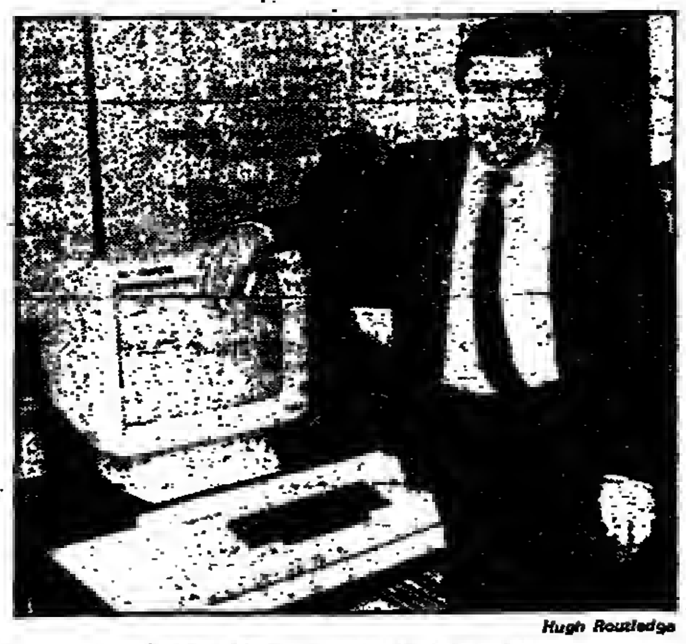
The link with Fuji goes back to 1962. Until recently the design responsibility for Xerox's product range fell jointly with the company's American and Japanese engineers. But the latest product range — the 10 Series — includes for the first time a British input; the mid-volume models were entirely designed by Magnin's engineers in Welwyn Garden City.

The design of the 10 Series has been a key factor in the efforts to cut production costs. It is of modular construction and with new robotic production techniques introduced at all factories, Magnin claims that manufacturing costs have been cut in half to levels which are now competitive across the full product range.

These changes in production techniques have had another important spin-off. Helped by changes in inventory control, the company's stock turn has been cut from three months to one month.

The effect of this has been to contain gearing over the past few years at under 35 per cent of shareholders' funds. This is despite the company's commitment to an investment programme of upwards of £100m a year over the five years to pay for the rationalisation and launch of the new division to sell other types of office machines.

Aside from the progress in cutting production costs, Magnin has also given a high priority to his predecessor, Paul Allaire's efforts to pare £100m off annual overheads. He claims he has broadly succeeded in this, mainly through redundancies encouraged by generous severance payments and widespread re-organisation.



Roland Magnin: widespread restructuring — Hugh Routledge

Overall, the payroll has been cut by around 6,000 from its peak of 37,000, with the knife cutting into manufacturing as deeply as the administrative side of the company. The use of robotics and other automated production techniques has reduced the ratio of support staff to production line workers from four to one to one to one.

More important, though, was a deliberate policy by Magnin to change the company's job mix in favour of sales; while staff numbers are down overall, he has increased the sales force by around 300 to 7,500.

A quality drive has also yielded results—the Government-sponsored British Quality Award for the company's Mitcheldean factory. Across the group the number of rejects has been reduced by 90 per cent.

The other key element in RX's partial recovery has been the growing contribution from Xerox's Systems Business Division, which markets electronic typewriters, electronic printers, telecopiers, micro-computers, word processors and Ethernet, the proprietary name given to the co-axial cable link between so-called work stations.

In the latest accounts, non-copier interests contributed around 14 per cent of RX's £1.7bn revenues. Magnin forecasts that this will rise to 20 per cent by 1986 and to 50 per cent by 1990.

RX's main success has been with electronic typewriters and printers, particularly laser printers, where sales have doubled over the past year. In France, the company is a market leader, holding around 40 per cent of the electronic typewriter market. A similar increase has been achieved with Ethernet with work stations.

Least successful has been the performance so far in sales of micros and word processors, where industry analysts believe Xerox has not been sufficiently aggressive with its marketing and pricing. Magnin concedes this and adds: "These are areas we still have to address."

Magnin's brush has also changed the way RX used to manage itself. Previously, management strategy was based on a worldwide model, with each country having to conform to similar organisation structures, the same range of products and a centralised pricing policy. Now, management has largely been decentralised, with more accountability and responsibility passed on to local general managers.

And looking further ahead, Magnin is exploring new markets. RX has just started building a new factory in India through a local joint venture and has started developing a trading relationship in China.

For Magnin, who came out of ITT France's boardroom, the £27bn reprographics market is now wide open again. He is determined that RX gets a healthy slice of it, as well as a growing share in the even bigger office equipment sector.

The company will be more than just a survivor, he believes. "By 1990, Xerox and Rank Xerox will be one of the few office equipment suppliers remaining in the market."

Technology

A reluctance to learn

BY WALTER ELLIS

THERE CAN be few senior managers today who would admit to being unaware of the possibilities of new technology. But in Britain too few appear to be willing to put their awareness to the test.

This is the contention of Brunel University, which has noticed a persistent reluctance on the part of top managers to attend various short courses it offers dealing with high technology and its application to business.

It is not alone in this view. Henley the Management College—with which Brunel has close links—has been running short courses for more than 10 years on a range of management topics. The lowest response is to new technology planning.

The trend ties in with recent surveys on the application of new technology among manufacturing companies in Europe which have shown that while West Germany has moved to the top of the league in adapting itself to modern practices, the UK lags behind somewhat.

Brunel, like Henley, finds that courses covering, say, financial management or marketing are normally awash with eager participants. But as for technology... A rum do for many of the UK's decision makers. Their main concession, unless spurred on by aggressive production managers further down the chain of command, is a brace of word-processors and a push-button phone.

Of course, there are exceptions, and of course there are aggressive production managers. But if the impetus towards modernisation is to come from the top throughout British industry, a lot more otherwise able MDs in their 50s and 60s ought, in the opinion of Brunel, to be prepared to go back to the classroom.

Brunel, naturally, is not seeking to spread this wisdom out of altruism alone. The university depends for much of its operating income on its industrial links—which it hopes to increase — and well-attended courses are valuable sources of revenue. Never the less, it argues that both sides would benefit from enhanced hi-tech awareness, just as both profit from seminars on management.

Last week Brunel ran a one-day seminar on new technology attended by 43 businessmen and 10 others. The "others" included Baroness White from the House of Lords Technology Committee, Dr Jeremy Bray MP, the Labour Party spokesman on science and technology, and John Goss, "rapporteur" on information technology in the European Parliament.

Most of the remaining 43 participants were company chairmen or managing directors or else technical or planning executives. Many came from companies which already had links with Brunel, mostly through sponsorship of research or co-operation in project development.

Initially, Brunel had contacted a large number of companies within a 50-mile radius of the campus. It also sent out 1,400 leaflets and estimates the total number of serious contacts at around 600.

Beneficial

All this effort yielded just 50 positive responses. Brunel was disappointed and feels that more should have made the effort.

Those who were there did, on balance, find it beneficial, though it was hard to escape the conclusion that, in a number of instances, it was a case of preaching to the converted.

Denis Murphy, manager of manufacturing systems and technology at 3M UK, was invited personally to attend and was full of praise for the success achieved by Brunel in turning out technically qualified graduates with a head for business. 3M, he said, was always interested in what was going on in the research departments of Brunel, and liked to keep an eye out for promising students.

The course itself he found "a little disappointing." The university was trying too hard to sell itself, he thought. But he enjoyed the "hands-on" demonstrations of new techniques and equipment, which were a central feature of the day.

Paul Drake, a top executive with the information systems department of BP International, was another to express some disappointment. "There was not enough that was really new," he felt. Once again, it was the demonstrations that really saved the day.

Another view was taken by Leonard Linden, production manager of Negretti and Zambra Aviation. "I found it a very useful day," he said. "A lot of these new techniques were just words to me before. I have been able to ask questions and get answers. There are ideas here which I shall certainly be taking back with me to my company to examine."

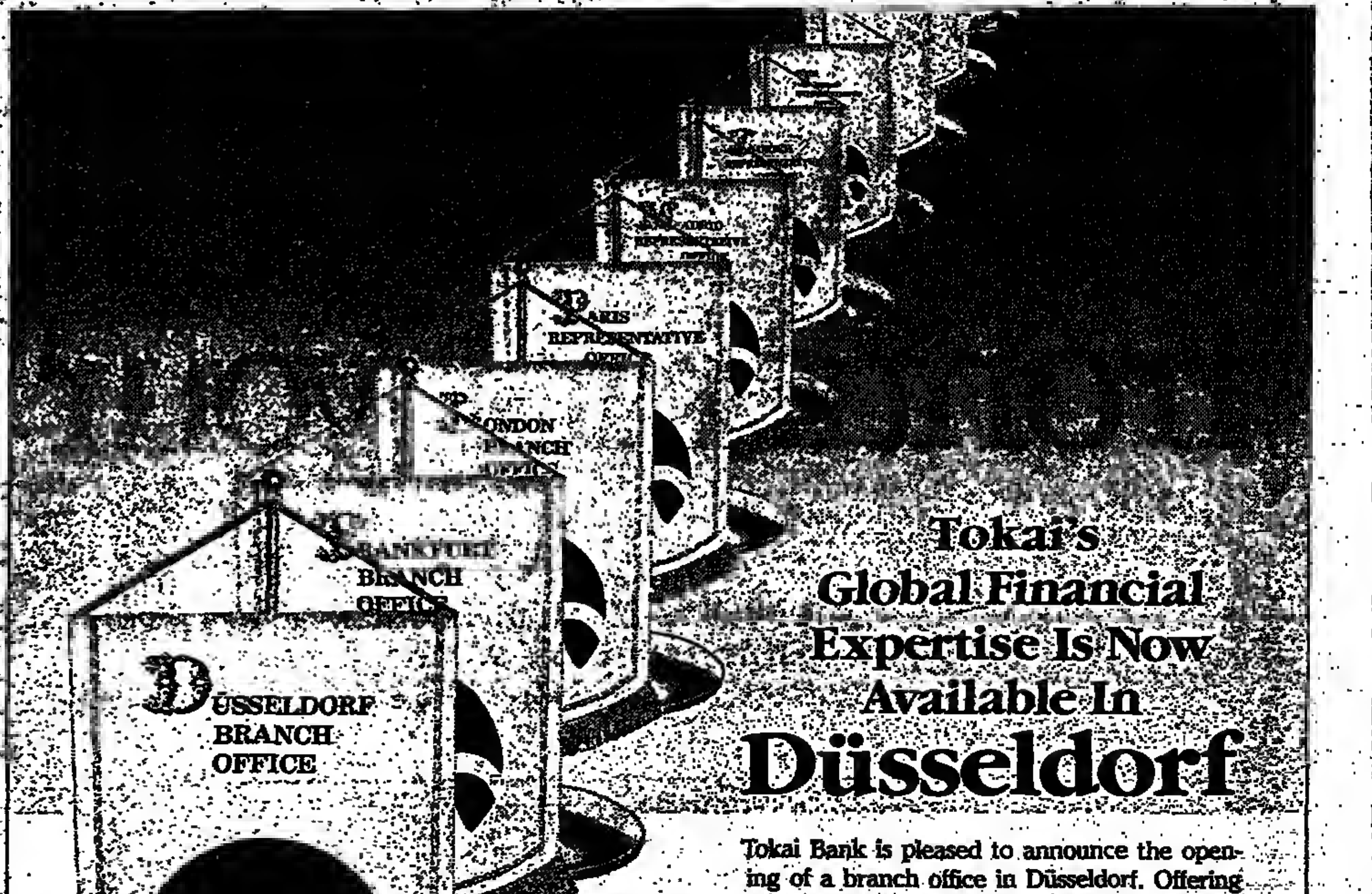
Professor Heinz Wolff, head of the Institute for Bio-Engineering at Brunel, was inevitably one of the stars of the seminar. A polished television performer, as well as a leading academic, he supports the idea of universities selling themselves and believes that industry should take greater note of the assets in their midst.

"I think that because universities are becoming increasingly dependent on industry, they have got to go out and reach alternative sources of funding. I'm not saying that universities should be purely reactive, but they must realise that they have a duty to inspire industry."

Professor Gerald Musgrave, head of Brunel's computer science department, agrees. "We want to show that we are prepared to tackle real problems and that we appreciate the constraints of industry. Maybe there doesn't always seem much of a point to this kind of gathering. But we have to do it to let people know about us. Industry has to be kept informed."

This point is reinforced by the organiser of the seminar, Prof Jean Miller. "It is a fact," she says, "that only 3-5 per cent of management courses in the UK cover the technology and engineering areas.

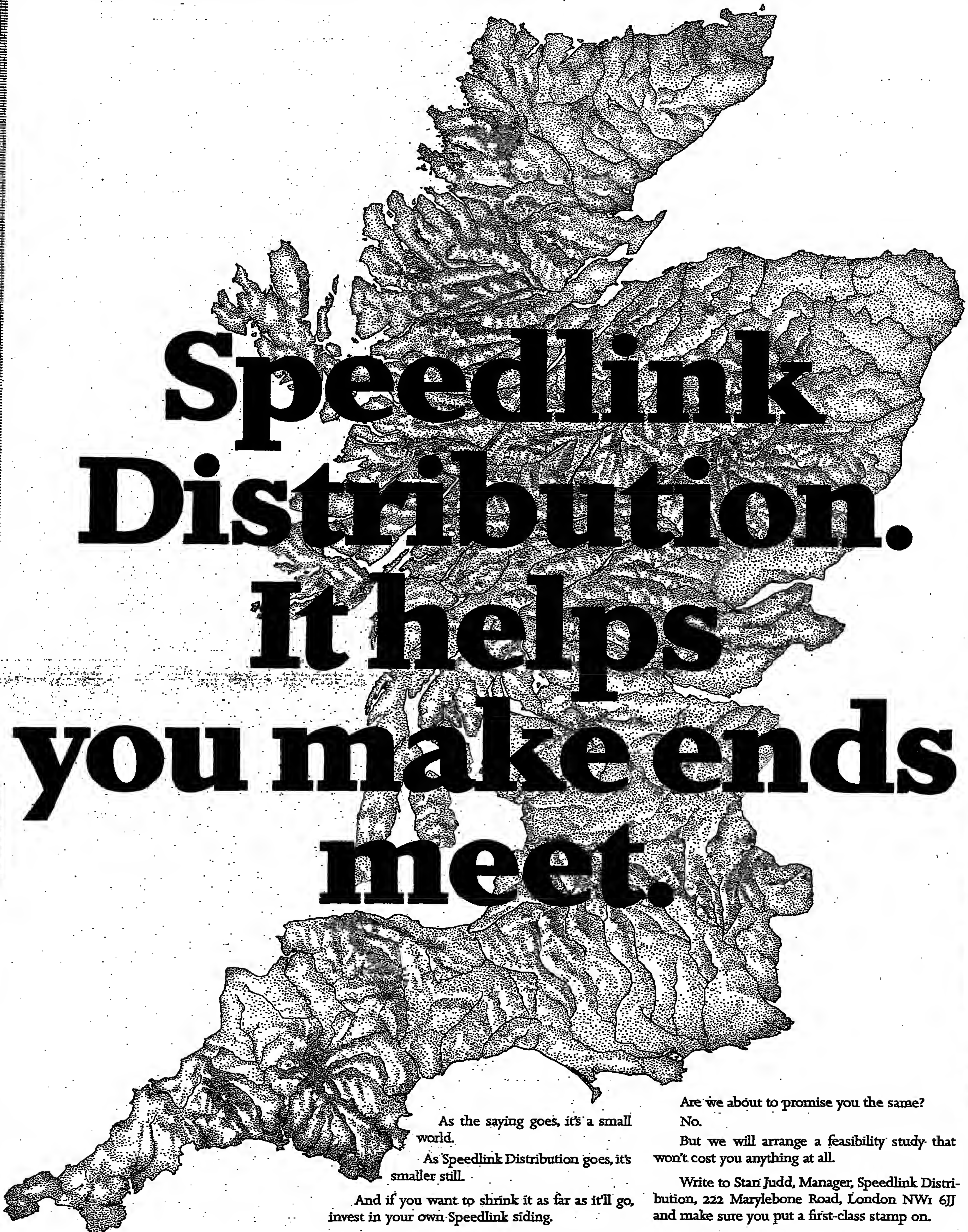
"People are willing to pay £100 a day for management courses, but they are unwilling to invest in pure technology update courses. Even the engineering institutes have cut back on technology courses and stepped up 'project management' courses. And yet there is an urgent need for senior managers to increase their awareness of such things as computer-aided design, new welding techniques, robotics, bio-engineering and electronics. Even specialist engineers need to be kept informed about disciplines related to their own. In Britain we are simply falling behind."



AN APPEAL

A Lionel Robbins Memorial Fund has been launched to endow an annual lecture series and to provide research scholarships for young postgraduates in economics, the arts or higher education. £80,000 has been raised so far. Contributions can be sent to (and covenant forms are available from)

The Appeals Office
London School of Economics
Houghton Street London WC2



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TECHNOLOGY

EDITED BY ALAN CANE

U.S. COMPUTER COMPANY ENTERS THE INTEGRATED FACTORY MARKET

Sperry links manufacture to design

BY GEOFFREY CHARLISH

SPERRY HAS entered the newly-emerging computer-integrated manufacturing (CIM) market with a system which electronically links conceptual design, engineering analysis, draughting and the direct control of machine tools.

Aimed at the mechanical engineering industries, the system can cost from £500,000 to well over £1m. It is based on the Sperry 1100 mainframe computer and several important new suites of software. Working into the main computer are graphics terminals from Apollo and Evans and Sutherland, connected together on an Apollo Domain local area network.

Called CIM/ME (CIM for mechanical engineering), the system is in at three test sites, one of which is the University of Odense, Denmark. Another is at Menasco in the U.S., a Colt Industries subsidiary which specialises in aircraft undercarriages.

Orders worth $25m have been taken for the system including one worth $19m from General Dynamics.

In the UK, Plessey and British Aerospace are said to be interested. Sperry believes, however, that only companies with turnovers exceeding £20m are likely to be purchasers. The minimum entry level of CIM/ME, with four to six workstations is about £0.5m. Worldwide, 500 customers have been identified and Sperry aims at 50 installations in the UK by the end of the decade.

CIM is the logical outcome of the more familiar computer-aided design (CAD). The basic idea is that once the geometry of a product has been established by CAD in the computer, with the addition of some physical data it can be used to engineer the product's strength, thermal, dynamic and other characteristics. This has become known as CAE, or computer-aided engineering. The same database can be used, with the necessary conversion of format, to provide machine tool instructions (CAM, or computer-aided manufacturing).

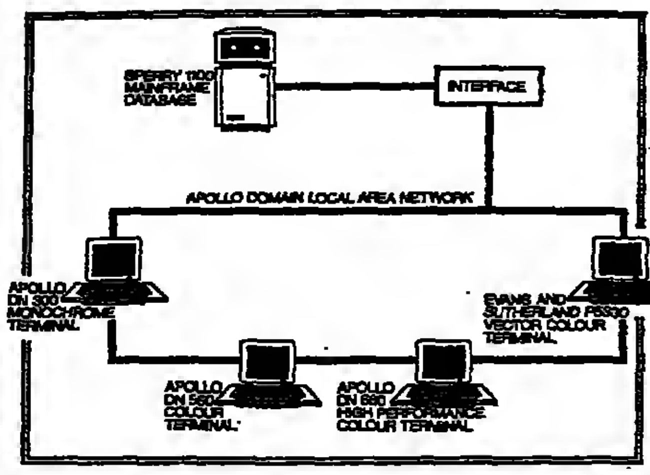
The aim has been to establish on-line connections between these activities, which previously have been linked by paperwork or tapes and disks.

Sperry claims to have produced the most integrated form of CIM to date and says it is planning extensions to CIM/ME which allow control of robots and flexible manufacturing systems. But most of the CAD majors are moving towards manufacturing integration and specialist companies like Cadlinc have emerged.

Traditionally, a pencil and paper product drawing is created and copies go to specialist engineers, planners and machine tool programming staff. With CIM/ME, the designer creates the design on the screen and all the dimensional data is stored in the computer database.

Thus, basic design data entry occurs only once. Later, others can bring up the design on their screens, and they will all have access to exactly the same information.

During initial design, Sperry's "part descriptor" software is used, which allows a variety of primitive geometric objects—solids, surfaces, edges and vertices—to be brought up on the screen from the computer's store. They can be moved about at will, expanded, contracted or rotated and then combined to produce a "solid model," with proper blending between surfaces. Any part so created can be replicated elsewhere on the screen.



At any time the user can interrogate the model to determine any angle, area, volume, mass or moment of inertia.

The engineering analysis software is mainly concerned with finite element analysis. On his own terminal, the structures engineer can call up the basic design and can simulate the effect of applying various stresses to the part.

The computer in effect breaks the design up into very small elements which the computer analyses to obtain the effect on the whole structure. Structural deformation can be seen on the screen. Any of four well known finite element analysis programs can be applied.

Another piece of software, the draughting module, takes the previously created 3D model and derives the conventional draughtman's plan, side and front views and allows the user to apply new material such as cross-hatching of sectional areas. A library of annotating symbols can be created by the user to suit the work being carried out and applied as needed to points on the drawing.

If necessary, a finished drawing can be converted into instructions for a variety of plotters which will then produce paper versions.

The same established model in the computer is used in conjunction with another software module, to generate instructions for the machine tool. The user can select appropriate cutting tool representations and place them on the screen, together with the blank from which the part will be machined. The end result is a graphics display which shows the tool motions on the screen with respect to the workpiece.

Sperry has developed a "generalised post-processor," with which, from a terminal, the data relating to cutter and workpiece can be converted to instructions to operate virtually any machine tool. The output can be connected directly to the tool, or a conventional punched paper tape produced.

VISUAL MACHINES DEVELOP PROCESSING SYSTEM

Analysis of television images

A COMPUTER-BASED television image processing system aimed at research applications in industry, medicine, metallurgy and defence, has been developed by Visual Machines of Manchester.

Visual Machines is a relatively new company which has emerged from the Wolfson image analysis unit at Manchester University and which is jointly owned by the University, Rediffusion Robot Systems and American Robot Corporation.

A key feature of the C-VAS 3000 system is that the user has more freedom to develop his own image analysis programme—usually the user has only fixed menus to choose from.

Basic software tools are provided that create no limitation and greatly simplify the programming task for a specific application. Supplied in modular form and running under the Unix System 5 operating system, the software allows image processing, graphics and analysis routines to be combined.

Algorithms for special applications may be developed by the experienced user in both Pascal and low level microcode, new algorithms from Visual Machines are also available.

Computing

Fast logic for IBM's top models

IBM is reaping the benefit of its massive investment in new chip packaging technology for its top-end computers.

Its new 3090 series machines announced last week—the model 200 and the model 400—feature emitter coupled logic (ECL), an advanced microchip technology which gives the highest speed of any silicon circuitry but at a considerable cost in expense and heat dissipation.

In the past IBM has tended to stick with what is called transistor-transistor logic (TTL), medium speed circuitry (about one-third the speed of ECL) but with considerable advantages in cost and power dissipation.

Furthermore, with higher speed chips, the interconnecting pathways become the limiting factor in the movement of electrons between one chip and another. Two-thirds of the delay can be in the interconnections between the chips and only one-third in the chips themselves. This ratio worsens as the chips get faster if the packaging is not improved.

When IBM introduced the 3081 series, it broke new ground with what it called the thermal conduction module, a multilayered substrate densely packed with chips, mounted in a complex water jacket.

The TCM had the dual function of providing sophisticated connections between the chips, while removing the heat generated by the densely packed chips.

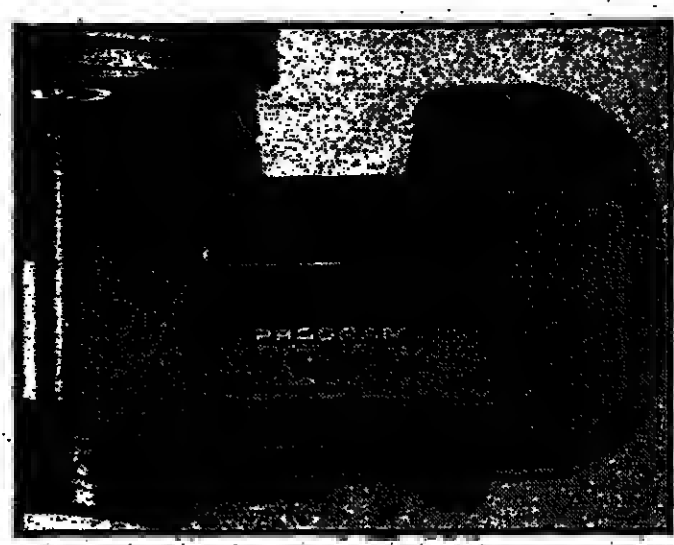
The 3090 models run between 1.7 and three times faster than the bigger 3081 computers, and it is clear that IBM's use of TCM technology has made it possible for it quickly to move from TTL circuitry to ECL. It is not possible to upgrade a 3081 series computer to a 3090 configuration because of the difference in chip technology. B thoesler however, are still basically System/360 architecture and run the same systems software.

● The 3090 computers use IBM"s 288K bit storage chip, the first commercial implementation by the company of this memory.

LAUNCH OF AUTOFOCUS SLR

Canon clicks into focus

BY ELAINE WILLIAMS



The T80 with its pictogram display. All the picture taking options can be clearly seen though the chosen selection is in black

CANON, the leading Japanese single lens reflex camera maker, has followed its rival Minolta with the introduction of a sophisticated SLR camera which can focus automatically.

Both cameras are crammed with electronic circuitry but there the similarity ends. Canon is aiming at an entirely different market with its T80 camera than Minolta with its X7000 SLR.

Canon has designed an SLR camera which is as easy to use as the popular compact units. There are few buttons to push and most of the picture taking is under the control of the camera's central computer. The company is hoping that users will be able to compose more exciting pictures with its T80. Rather than confuse the user with focal lengths and exposures, Canon has designed a pictogram liquid crystal display.

The pictograms highlight different types of photographic compositions. For example, one selection will produce a picture which has every part of the scene in focus, another will freeze a moving subject with the background sharp where as another action shot will have the subject in focus but the background will be blurred to give the sense of movement. The final selection allows focus on a close subject with the background out of focus.

Canon says that these four options give the user the main types of pictures any photographer would need. The T80 gives more flexibility than compact types of camera which are usually limited to only one type of picture though the results are usually good. The company hopes that the T80 will attract compact users who are bored with taking the same type of picture and those who are confused by conventional SLR cameras.

The autofocusing part of the T80 is based on a ranging and control mechanism in the body of the camera and a tiny micromotor housed in the lens. Light entering the lens is split by a mirror so that part of the image falls on a three line array of light sensitive charged coupled devices. The object is in focus when the light falling on the three lines is of the same intensity. If only two lines agree the camera moves the lens forwards or backwards until they all agree.

Conference

Data networks examined

THE EMERGENCE of value added, local area and wide area networks, together with other information technology development, continues to point up the problems of communications standards.

The various aspects are to be aired at a one day conference in London on March 13 and 14. Organised by Oyez Scientific and Technical Services (01-236 4080), the conference will field speakers from the Department of Trade and Industry, the National Computing Centre, Telecom, IBM, ICL, Mitel and from a U.S. user organisation.

The conference will be at the Park Lane Hotel, W1, and the delegate fee is £355 including lunches, refreshments and full documentation.

Sensors

Pressure transducers

PRESSURE transducers for marine and industrial applications have been launched by Danfoss at Kingston-on-Thames in Surrey. The EMP2 transducers are housed in die cast aluminium casings for extra strength.

The devices give an output current of 4 to 20mA which is proportional to and linear with the temperature or pressure acting on the sensors. They have an accuracy of 1 per cent over the full range of the scale. Danfoss says that the transducers can be used with water, fuel, oil, refrigerants, and gases. The operating temperature range is 10°C to 70°C. More details from the company on 01-977 0225.

EUROPEAN NEWS

Croissier starts getting to grips with Spain's public sector giant

By Tom Burns in Madrid

THE INSTITUTO Nacional de Industria (INI), Spain's sprawling public sector conglomerate, consists of more than 60 wholly owned companies in search of a role. Why and whither public ownership is a subject of debate among the top executives at INI's Madrid headquarters—a fact that is rather surprising given that they are answerable to a Socialist Government and that the INI chairman, for one, has been a card-carrying Socialist Party member since his undergraduate days.

The debate avoids direct references to dismembering the industrial giant and to privatisation, although there have been instances of both and more are planned. The talk centres instead on the "redefinition" of INI. "Saneamiento," the catch-all cliche of the Spanish Socialists, meaning to streamline and to restructure, is overworked to the point of exhaustion by INI's industrial policy theorists.

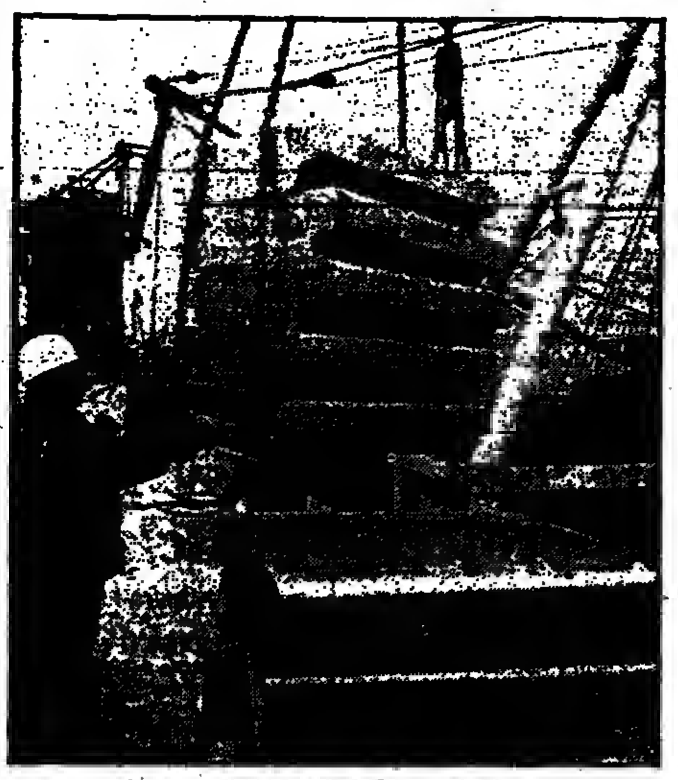
When pressed, the INI think tank argues that the holding's purpose is to be the Government's "industrial lever." This appears to be true only to a degree. The Spanish Government, like so many others, says it is forging a hi-tech future but its ambitious electronics sector programme is in the hands of the semi-state owned telephone monopoly which is outside the INI zone of influence.

An element of confusion as to what the holding is or should be is understandable. INI has had several roles, and sometimes more than one at the same time, since it was created in 1941 by General Franco. Formally INI was modelled on Mussolini's IRI but Spanish holding never approached the scope and the coherence of its Italian counterpart. Given the circumstances of a nation ravaged by the 1936-39 Spanish Civil War, Spain's public sector group began, quite properly, with the modest ambition of filling the gaps left by private enterprise.

At its inception INI cared little for public ownership and the official doctrine (the Right had not won the civil war for nothing) was that the group's companies could always be bought back by the private sector. The demands of import substitution, brought on by boycotts of Franco's Spain, superimposed, however, an element of public sector planning. In addition the Phalangist Party's contribution to Francoism was a firm belief in an autarchy and a state-directed economy.

As the boycotts lifted in the 1950s and the economy revived, INI was pushed by the abrasive private enterprise of the Spanish "economic miracle" into a Cinderella role. The Spanish holding, thus appeared to be fulfilling its original role and seemed to have adequately bridged the gap between post-civil war reconstruction and a market economy.

The next role for INI came with the end of the "miracle," 20 years on, in the 1970s. Fleeing from the deluge, the private sector promoted INI from Cinderella to fairy godmother. The holding took under its wing a collapsing steel and shipbuilding industry, the capital goods sector and a multitude of other casualties as well ranging from a loss-making tour operator company that had offices stretching from Buenos Aires to New York to a small, bankrupt textile plant that manufactured carpets in Aragon. Fiat pulled out, unceremoniously dumping Seat wholly on INI's doorstep, in 1981.



Aluminium being loaded at San Crispin for INI

Prime Minister Gonzalez

The growth of INI from the beginning of the 1970s to the present day meant a growth in losses. Lame ducks were able to roost in it for two reasons, neither of which had anything to do with sound public sector planning. At one level Franco's financial oligarchy had little difficulty over unburdening its deficits onto the state network. At another, in the post-Franco period, government priorities were strictly political. INI took aboard the private sector losses in order to buy industrial peace during Spain's delicate transition to democracy.

When in late 1982 Sr Felipe Gonzalez became head of the first Socialist Government in Spain's history he ought, in sheer logic, to have been delighted that the spadework of nationalisation had already been done for him. In fact, the new Prime Minister was appalled.

One of his earlier bon mots—all of them variations on the theme of "I am an unorthodox Socialist" — was a candid admission that he had no intention of allowing INI to muddle on as a "cemetery for white elephants."

INI is, at the very least, a large cemetery. It accounts for around a tenth of Spain's gross industrial product. The holding produces more than half of Spain's coal and a quarter of its electricity (the state's oil and gas interests form a separate holding), most of its aluminium and steel, all of Spain's aircraft, most of its ships and a quarter of its motor vehicles, two-thirds of its bearings and a third of its wood pulp.

Prime Minister Gonzalez, whose first problem was to tame a hydra's head budget deficit, had only to look at INI's balance sheet to cure himself of possible illusions about he holding. INI's losses climbed to new heights in the year that Sr Gonzales took power and topped Pta 102bn (about £500m). A full 12 per cent of turnover was spent on debt servicing, with the foreign debt alone standing at \$5.5bn.

Any growth plans that the new Socialist administration might have had for INI and the public sector were put on ice. The priority was to have the holding back in the black and the new Socialist-appointed management set itself a four-year target for breaking even.

Asked what INI's role is, a Spaniard in the street would in all likelihood reply that it is to sack employees and close down centres of work. Since 1982 the public sector holding has rarely been out of the headlines.

There have been industrial disputes in virtually every one of the group's main divisions, from the aircraft manufacturer Casa to the national air carrier Iberia. The bitterest clashes have centred around the steelmen and the shipbuilders while the Spanish miners have been carrying on uncharacteristically tension-free on-off strikes for most of the period.

For all the protests, INI and its immediate superior, the Minister of Industry, have remained unmoved. The public sector holding has broken new ground by forcing through redundancies. The first employee to be dismissed was the head of the steel division who was held to be too soft with his labour force. By the time the whole "Saneamiento" restructuring programme is completed in the course of this year some 40,000 will have left the INI's 200,000-plus payroll.

INI's top executives argue that they do not mean "lay-offs" when they talk of the holding as the Government's "industrial level." The private sector had in fact carried out job reductions well ahead of INI and had no need to learn how to do so.

INI has, however, buttressed the private sector drive to reduce costs and this has been particularly true over wage policies. For the past three years public sector employees have had a salary ceiling set at between one and two points below the inflation index. Wage negotiations have been based on the strict guidelines applied to INI companies. INI can thus claim to have played a key "leverage" role backing the Government's budget planning.

Despite all its economies, INI's four-year "back into the black" plan went hopelessly off the rails. In 1983 INI's losses were up by 17 per cent to Pta 161bn and last November, when the forecast deficit was close on Pta 200bn, a new INI chairman, Sr Luis Carlos Croissier, was appointed to stop the rot.

Sr Croissier's predecessor, Sr Enrique Moya, had identified debt servicing to be the fundamental INI problem and had consequently pleaded, mostly in vain, to have the Government inject more capital into the holding. Sr Croissier's recipe is an orthodox "I am not putting any more water into the bucket until I have plugged all the leaks." INI is at present increasing its expenditure control and hiving off what it can.

The different approaches are not without their ironies. Sr Moya is a businessman and not a Socialist and was appointed INI chairman by Sr Gonzalez's Government precisely because of those credentials. Sr Croissier is a 34-year-old economist who helped draft the Socialist Party's electoral manifesto. Both share a belief that the public sector in Spain is sufficiently big and should grow no further but it appears that the new INI chairman is more energetic about containing, and indeed reducing, the holding.

Sr Croissier had already established a series of modern day INI "firsts." He has closed a small ball-bearing plant and reprivatised a minor textile plant (the incongruous Aragonese carpet manufacturer), both of them loss makers. He has sent summary dismissal notices to shipworkers who rejected redundancy plans. These measures are as bold as they are unprecedented, and they were meant, in part, to be indicators of future INI policy.

Major plans afoot now concern the sale of INI's computer manufacturer Secoinsa to the national telephone monopoly which will in turn share the equity with the Japanese group Fujitsu, and the sale of INI's automotive division. Sr Croissier would like to offload the car company Seat onto Volkswagen and hopes that General Motors will take a majority stake in the truck manufacturer Enasa.

Sr Croissier and his team stress that they are "realistic" about the public sector. Going it alone in an automotive division is not realistic, although as one senior INI executive remarked wistfully: "Fourteen years ago it would have been a different story — think of Volvo." In the electronics field it makes sound sense to have the telephone monopoly run the business.

Realism means, also, that a public sector will have to be present propping up the smoke stack and capital goods industries although, as far as possible, they will be run on straight market lines. That was, after all, an original INI role. Equally, the public sector plays its part in "strategic" industries, notably the arms industry but including, as well, the aerospace company Casa. There is nothing in principle against privatising the air carrier Iberia but in practice this is not an issue. Indeed, Iberia is seen as "strategic."

The INI policy-makers see no reason why its profitable companies should be sold off. INI's electrical utility Endesa not only makes more money than its private competitors but, in a good example of the self-appointed "industrial leverage" role, is a useful mechanism for keeping the utilities in line with government planning. The fertiliser firm Enfersa is another money-making company in the group which keeps INI abreast in the chemical field.

On a smaller scale there is no objection to selling atypical companies that ended up in INI during the 1970s, particularly in the leisure field. While there is a firm belief in INI that public ownership does not mean automatic inefficiency, this falls far short of dogma. If the private sector can make a better job of a publicly-owned business Sr Croissier and his advisers will not refuse to discuss it. That is part and parcel of a "redefining" role.

UK NEWS

S. Africa provides share of record coal imports

BY MAURICE SAMUELSON

BRITAIN last year imported at least 250,000 tonnes of coal from South Africa as part of a record 9m tonnes landed from abroad because of the miners' strike.

Government statistics to be released next month will reveal these quantities, but there may be more coal of South African origin which will not be identified as such because it was processed in other countries before reaching Britain.

The only other time that imports even approached last year's level was in 1980 when 7.3m tonnes were landed. Imports in 1974 – during a previous coal strike – stood at 3.5m tonnes.

Last year, more than 3m tonnes arrived from the U.S., nearly 2m tonnes from Australia and nearly 1.5m tonnes from Poland. While much of the coal imported from the U.S. and Poland was destined for householders, the bulk of South African coal was for use by industrial customers, including some cement works.

Traders do not think that the South Africans will retain such a large share of the industrial market. One leading importer said that, while foreign coal could be imported at about the same price per therm as that supplied by the National Coal Board (NCB), importers could not match the rebates offered by the NCB to maintain and expand its industrial market.

The UK coal industry claims that it could emerge from the miners' strike with its main domestic market virtually impregnable to imports.

Although the steel industry and household trade will bring in various coals which are scarce in this country, NCB officials say the long-standing threat of more foreign soal being used in British power stations no longer makes commercial sense.

This is mainly due to the rise in the value of the dollar, in which most coal is traded internationally. The miners' strike has also discredited the notion that the electricity industry, which uses 80 per cent of British coal output, can in emergencies be partly supplied by coal from overseas.

The Central Electricity Generating Board (CEGB), which would have liked to supply three power stations from its stocks in the Netherlands and Belgium, imported none of this coal during the strike, compared with about 800,000 tonnes in the previous year.

More than half the CEGB's 3m tonnes at Rotterdam and other European Continental ports has been transferred instead to some of the NCB's overseas customers.

As a result, senior Energy Department officials believe that the Government is unlikely to continue paying the stocking charges for the CEGB's Rotterdam buffer stockpile. It has been meeting these costs since February 1981.

The NCB claims that the main disincentive to an expansion of imports is the strong dollar. NCB officials, as well as some independent traders, argue that present parities have removed the price advantage of using coal from the low-cost pits of Australia, Colombia and the U.S.

The CEGB, which refuses to comment on this issue, has in the past claimed that it is at least 10 per cent cheaper to run its Thames plants on foreign coal than on coal shipped round the coast from north-east England.

Mr Malcolm Edwards, NCB's director-general for marketing, says the board can deliver coal alongside these plants for £43 a tonne. With the pound at about $1.10, he says, this compares with £47 a tonne for coal shipped via Rotterdam from Australia and Colombia, almost £50 a tonne for U.S. eastern-seaboard coal and almost £44 a tonne for South African coal.

These comparisons do not answer the broader question of whether the NCB price reflects the true cost of producing the coal

Scargill snubbed, Page 11

Principle of blank tape levy accepted

By Raymond Snoddy

THE GOVERNMENT plans to introduce a levy on blank audio and video tapes to compensate copyright owners for loss of income caused by home taping.

A Green Paper (discussion document) published yesterday suggested that the levy should be about 10 per cent of the retail price of an audio cassette and 5 per cent of a video cassette.

The measure would add about 10p to the price of an audio cassette and 25p to a three-hour video and would raise about £10m a year.

Mr Geoffrey Pattie, Minister for Information Technology at the Department of Trade and Industry, said he hoped to introduce legislation in either the next session of parliament beginning in November or the following one.

Mr John Deacon, director-general of the British Phonographic Industry, which has been campaigning for a levy for 10 years, welcomed the Government's change of attitude. The BPI would, however, have liked a higher levy and one that applied to length of tape rather than retail price.

The Tape Manufacturers' Association said it was totally opposed to any levy

Pay awards must fall, CBI says

BY BRIAN GROOM, LABOUR STAFF

THE CONFEDERATION of British Industry (CBI) has given a warning to companies that international competitiveness will be damaged unless the level of pay settlements is reduced and higher productivity growth is achieved.

Chief executives of member companies have received a confidential letter from Sir Terence Beckett, CBI director-general, expressing concern that the UK's unit labour costs are rising faster than those of the U.S., West Germany, Japan and France.

He adds that earnings of manufacturing workers are rising faster than in other countries and that productivity growth is slower.

"Worse still, our productivity growth appears to be slowing sharply – from 6.5 per cent in 1983 to 2.5 per cent for the year up to September last year."

Sir Terence writes that the fall in the value of sterling has improved international competitiveness and that there have been gains in recent years in the drive to curb unit labour costs.

Unless Britain can begin to match its competitors, he says, the prospects of keeping costs down and getting improved business will weaken, and the outlook for jobs will be worse still.

"We are approaching a crucial time for our businesses. There is a danger that too many people, managers and employees alike, will think the worst is over, that we can ease up and enjoy the rewards of past efforts. The figures (see accompanying table) show how different the truth is."

Japan and West Germany both have falling unit labour costs, he says, "and the very latest indications from Washington suggest that they are now beginning to fall in that country too."

Sir Terence's letter appears to reflect the CBI's concern that companies are not heeding the advice given in its annual regional pay presentations last autumn, when it urged them to keep pay deals firmly below 5 per cent and improve productivity.

The CBI's figures for the average level of settlements over the previous 12 months show a steady, if small, rise

MANUFACTURING INDUSTRY
% increases (decreases) on 12 months before

	UK	U.S.	West Germany	Japan	France
Earnings hourly	8.8 (Oct)	3.7 (Oct)	3.1 (July)	3.4 (Sept)	7.8 (July)
Productivity output per man	2.5 (Sept)	2.8 (Oct)	4.7 (Aug)	8.2 (Sept)	3.4 (Q 2)
Unit labour costs	6.3 (Sept)	1.1 (Oct)	(2.8) (Aug)	(5.3) (July)	4.1 (Q 2)

Source: CBI

Single satellite 'best hope' for DBS project

BY RAYMOND SNODDY

BRITISH HOPES of launching direct broadcasting by satellite (DBS) may now depend on using a single satellite instead of the original plan for a three-satellite system.

Mr David Plowright, managing director of Granada Television and chairman of the Independent Television Companies Association, said yesterday: "A higher risk but lower cost single satellite may be the only financially acceptable way to proceed."

If decisions were taken within the next three months, DBS on such a basis could begin by 1988.

Mr Andrew Quinn, general manager of Granada and the DBS project co-ordinator, will make the recommendation for a one-satellite DBS project in a paper to the consortium within the next two weeks.

The plan would envisage one satellite in space and a backup "payload" part of a satellite on the ground. Mr Plowright admitted yesterday to broadcasting journalists that, if the main satellite failed, there would probably then be a 12-month interruption in service.

Terms now being offered by United Satellites for a three-satellite system were "from a financial standpoint totally unacceptable," he said.

The capital costs of one satellite plus partial backup are estimated at £110m. This would bring the cost down well below the £40m-a-year satellite cost that the consortium believes might make a viable project.

Easy Thatcher victory in Belgrano vote

BY OUR PARLIAMENTARY STAFF

THE GOVERNMENT easily defeated an opposition motion in the House of Commons which accused ministers of having betrayed their responsibility to parliament by "purveying distorted and misleading information" over the sinking of the Argentine cruiser General Belgrano during the Falklands war.

Monday night's vote, which the Government carried by a majority of 148, followed a debate called in the wake of last week's acquittal of a senior civil servant on secrets charges arising from his leaking documents to a Labour MP.

In the later part of the debate, Mr John Stanley, Minister of State for the Armed Forces, firmly rejected Labour calls for his resignation and argued that charges made against him about misleading the House of Commons about the Belgrano were not justified.

He revealed for the first time that in addition to HMS Conqueror, the submarine which sank the Belgrano, Britain had five submarines in the South Atlantic during the Falklands war.

All but one had been nuclear-powered, and Mr Stanley implied that the disclosure of operational details could have implications for intelligence-gathering operations by the Soviet Union

The opposition abstained in a second vote on Monday night, and a Government motion stating that the sinking of the Belgrano was a necessary and legitimate action was carried by 351 votes to nil.

Petrol price rises may prompt investigation

BY DOMINIC LAWSON

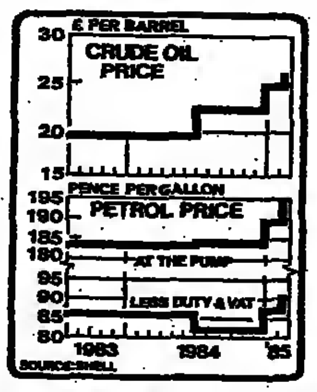
OIL INDUSTRY moves to increase petrol prices for the second time in little more than a week could open the way for inquiries by the Office of Fair Trading (OFT).

Shell, which vies with Esso for leadership in the UK petrol market, yesterday announced increases in the prices of all the oil products it sells with effect from the start of business today. The Shell move will increase the price of its four-star petrol at the pump by 2.7p a gallon to 194.8p a gallon.

Major rivals of Shell such as British Petroleum, Mobil and Texaco are certain to endorse the increase. Esso has been the most unpredictable of the majors in recent months, but it seems likely that Esso too will follow up this increase.

However, even at the new price only Shell and Esso would be making profits in the UK petrol retail market, and it is likely that one of the other "big five" retailers will try a further increase before the budget.

It is expected that the Chancellor of the Exchequer will impose a budget petrol duty increase of about 5p. This would leave the petrol price just below 200p, and oil companies are anxious that the Government takes the public blame for pushing the petrol price above the £2 a gallon mark.



When Texaco announced on February 8 that it was increasing pump prices by 4p a gallon to 191.9p by withdrawing dealer support, it, together with some of its rivals, warned that further increases could be forthcoming. This suggestion of planned and concerted future price rises caused some anxiety at the OFT.

The OFT then rang a number of the big retailers and told them that official letters seeking an explanation of the events might be sent out. One major oil company said yesterday that it now expected to receive a letter from the OFT which would seek assurances that the oil companies had no agreement and were not acting in concert.

The OFT said yesterday that it constantly monitored petrol price rises, although it had never hitherto found evidence of a restrictive practice on the part of the retailers.

An oil company executive described the latest inquiries by the OFT as "a gesture that will achieve nothing." He added: "We are adept at covering out tracks, and anyway, we don't have an agreement."

Shell gave as the reasons for the increase the low level of sterling against the dollar, the currency in which oil is priced. Shell claimed that since August 1983 the sterling cost of crude oil had risen by more than 30 per cent, while the price of petrol at the pump had gone up by only 6 per cent.

Shell is also increasing the pump price of diesel by 6p to 194.1p a gallon. Commercial prices are also being increased from today. Kerosine is going up by 5.9p a gallon, commercial petrol by 2.7p, derv by 6.8p, and gas oil by 7.3p. Light fuel oil is increased by 3.2p a gallon, and medium and heavy fuel oil both rise by 3.6p.

THATCHER SUPPORTS FOREIGN EXCHANGE INTERVENTION

U.S. deficit attacked

BY IVOR OWEN AND MARGARET VAN HATTEM

MRS MARGARET THATCHER, the Prime Minister, made clear in the House of Commons yesterday the importance Britain attached to concerted intervention in the foreign exchange markets to check the surge in the value of the dollar.

The Prime Minister, who was speaking before she left for Washington, reaffirmed her determination to maintain pressure on the U.S. Administration to reduce its budget deficit – "the fundamental problem."

Mrs Thatcher recalled that concerted intervention in the foreign exchange markets stemmed from the agreement reached at the Williamsburg economic summit in 1983 and the discussions which took place in Washington last month between the finance ministers and central bank governors of the five leading industrialised countries.

The object, she said, was to make certain that "speculators never know whether there will be intervention or not and, therefore, to help with preventing the resurgence of the dollar as strongly as might otherwise happen."

Underlining the need to tackle the U.S. budget deficit, Mrs Thatcher said: "I fully support all those in Congress and in the Administration who are earnestly seeking to take action to reduce it."

Mr Terence Higgins the Conservative chairman of the all-party select committee on the Treasury and Civil Service, urged the Prime Minister to impress on President Ronald Reagan the need for international contingency plans to deal with a possible "short-term collapse of the dollar."

He said it would be "absurd" if the strongest economy in the world were to resort to protectionist measures. Mrs Thatcher assured him: "That point will be put very, very strongly."

She emphasised that, if there were to be a sudden collapse of the dollar, the consequences "could be very brutal." She said account needed to be taken by the U.S. of the effect which any restrictionist measures would have, not just on her traditional trading partners but also on developing countries.

Mr Neil Kinnock, leader of the opposition Labour Party, reminded the Prime Minister that 14 months ago, when the pound was valued at $1.45, she had said: "I would rather be in our position which is sustainable than that of the U.S." He inquired whether she still held the same view.

Mrs Thatcher said her answer was: "Yes – I think we are in a much more sustainable position."

Mr Kinnock pointed out that in the intervening 14 months unemployment had gone down 1.1m in the U.S., while that in Britain had increased by 150,000; and U.S. industrial production had gone up 6 per cent and Britain's down 1½ per cent.

Mr Roy Hattersley, Labour's shadow Chancellor of the Exchequer, urged the Prime Minister "not to be so anxious to blame the U.S. budget deficit for British problems." In the last nine months or so, short-term interest rates in Britain had moved from being 1½ points below those in the U.S. to being about 5 points above.

Mrs Thatcher, he said, ought to learn the lessons of the U.S. experience. This had shown that fiscal expansion would reduce unemployment. Britain should now do the same.

● Mrs Thatcher and Mr Kinnock were in complete accord in appealing to U.S. citizens not to finance Irish terrorists.

Mr Kinnock endorsed the Prime Minister's condemnation of the supply of arms to the IRA with money provided by the Noraid organisation in the U.S. Mrs Thatcher told Mr Kinnock that his support would help during her visit to the U.S. because it demonstrated that the House of Commons was united in seeking to combat terrorism.

Growth in output slows to 2½%

BY PHILIP STEPHENS

THE PACE of growth of Britain's output slowed to 2½ per cent last year from 3 per cent in 1983, but without the miners' strike it would have accelerated to 3½ per cent.

Official estimates released yesterday for the rise in the output measure of gross domestic product show that growth was spread fairly evenly between manufacturing and service industries.

Services such as distribution, catering and transport and communications, for example, expanded by between 3 and 4 per cent over the year, while manufacturing output rose by about 3½ per cent.

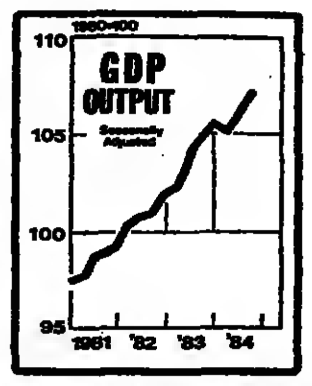
But the figures, released by the Central Statistical Office, indicate that the pit dispute reduced the rise in overall GDP by between 1 and 1½ per cent, largely reflecting lost coal production.

The underlying growth rate of the economy was thus put at about 3½ per cent, in line with earlier government forecasts.

Figures show that the rate of expansion picked up significantly in the second half of the year after a sluggish performance in the first few months.

This partly reflected a rebound in North Sea oil production, but there was also a marked improvement in manufacturing output in the second and third quarters of 1984.

The GDP figures for the last three months of the year show an increase of 1 per cent on the previous quarter, split evenly between production and service industries. Figures for previous quarters are revised upwards to show more buoyant manufacturing output than hitherto recorded.



For 1985, the Government forecast that the growth rate would bounce back to 3½ per cent. That prediction, however, assumed an end to the coal dispute last December and was made before the recent sharp increases in interest rates which are likely to depress consumer spending. Many outside forecasters believe that these factors will slow the pace of growth nearer 3 per cent.

BNOC in need of £25m cash injection

BY OUR ENERGY STAFF

MR PETER WALKER, the Energy Secretary, disclosed yesterday that the British National Oil Corporation (BNOC) would require a cash injection of £25m in order to remain solvent.

BNOC, which buys more than half the oil produced in the North Sea, has been losing heavily because the Government has asked it to pay more for oil than it can subsequently receive when it sells on the spot market.

The Government has been prepared to absorb the losses, rather than cut BNOC's official price and face a possible price war with the Organisation of Petroleum Exporting Countries (Opec).

Last December, parliament was asked to vote BNOC a £45m grant, to cover losses resulting from the same policy in the last few months of 1984.

BNOC now requires a further £25m at least to see it through to the end of the first quarter. The department of Energy is seeking only an additional £20m from parliament, with the remaining £5m to come from internal savings.

After the previous grant to BNOC, the energy select committee of the House of Commons conducted an inquiry and concluded that any further supplementary estimate to BNOC would be "quite unacceptable," unless the Government admitted that its policy was to use the Corporation to prop up oil prices.

The committee is now carrying out a second inquiry starting today. Ministers from the Treasury, the Foreign Office, and the Department of Energy are to be called. The committee, however, has not called BNOC to give evidence, possibly a reflection of its belief that the corporation is now merely a conduit for the setting of oil prices by the Government.

The increase in BNOC's external finance brings its estimated external finance for the present financial year up to £66m, and the Department of Energy's own budget up by £20m to almost £163m.

The Department of Energy yesterday denied reports that it was actively seeking to reduce the trading role of BNOC.

Bank customers to have ombudsman

BY DAVID LASCELLES, BANKING CORRESPONDENT

BRITAIN'S banks are to appoint an ombudsman to resolve complaints from their personal customers. The initiative follows criticism that banks often leave people with no choice other than legal action to obtain redress, deepening their sense of grievance.

The ombudsman, whose post is to be modelled on the successful insurance ombudsman established five years ago, will be paid for by the banks. But he or she will be an independent figure – probably a lawyer – with the power to make awards up to £50,000 which will be binding on the bank concerned.

The scheme is being backed by the 17 largest British and Irish banks with UK retail branches and will eventually be open to any of the 300 recognised banks in Britain. It is believed to be the first of its kind in Europe. It is hoped to appoint the ombudsman by the end of the year.

The ombudsman's authority will run to all aspects of personal banking other than the commercial reasons behind a bank's decision to make or withhold a loan. This includes everything from allegedly faulty change machines to accusations of overcharging by bank executors and trustees.

A complainant accepting the ombudsman's decision will give up any right to further legal action against the bank. But the complainant can reject the decision and pursue the matter in the courts.

The initiative was welcomed by the National Consumer Council which pressed for an ombudsman in a 1983 report on consumer banking. Mrs Rachel Waterhouse, chairman of the NCC's working party on banking services, said the ombudsman "will have real teeth." The proposals should provide a cheap and effective way to resolve complaints.

German snub for NUM

BY RUPERT CORNWELL IN BONN

WEST GERMAN trade unions are to boycott a rally planned on March 9 in support of the National Union of Mineworkers (NUM) and the 50-week-old British coal strike.

For the second time in a month the DGB, the West German trade union federation, has publicly refused to support Mr Arthur Scargill, the NUM president. A DGB official said yesterday: "We reject any joint activities with the NUM. We have nothing in common with Mr Scargill."

The rally is due to take place at Duisburg, in the Ruhr. The DGB has repeatedly made clear that while its members may continue with humanitarian support for striking miners and their families, it strongly objects to the ideological ultra-left stance of the NUM in its dispute with the National Coal Board.

Its attitude is shared by IG Bergbau, the West German miners' union. An official said "the Marxist Scargill" was not pursuing an ordinary strike but seeking to establish a new social order in Britain.

In spite of a seven-week strike in the engineering industry last summer in support of a shorter working week, the West German trade union movement remains overwhelmingly moderate.

One union official said yesterday: "Scargill says openly that he's Marxist and that he's out to defeat Mrs Margaret Thatcher, but we don't want to move towards a totalitarian regime and we won't back him."

THE ARTS

Television/Godfrey Hodgson

Giving thanks for a mercy of some magnitude

When I was in New York recently I was told about the fierce ratings war between the three networks, of wbich more in another column soon. The point here is that, while serials like *Dallas* and *Dynasty*—and comedy series, too—have tbeir place in the network's competitive strategies, the brunt of fighting the ratings wars falls on what are known dismissively as "cop shows."

It is food for thought that only the best-made, and wiiat are thought to be the most-sopbisticated, of these artifacts appear in Britain. They are, most of them, stultifying beyond belief. The character Interest is provided by very obvious contrasts between tbe two buddies. There are these two cops, see, in the same patrol car, rigbt? Only. one of them's black! Or a woman. Or gay. Or a black gay woman. And perm the combinations.

When one of the networks unveiled its new schedules last October, even the New York television wrilers laughed out loud at the press conference when excited network executives announced that a series starring a crime-figbter with a space-age car was being pulled and replaced with a series starring a crime-fighter with . . . a space-age motor-bike.

The ection is provided by unremitting violence; by cars, guns explosions, helicopters, more guns, more cars. Cars scream round corners, bullets rip through bodies, explosions are routine, death monotonous.

Character becomes irrelevent. It hardly matters, efter all, whether one is being blown away by a Caucasian lesbian or a straight bent Chicano, if action does not grow out of personality, but is, to all intents end purposes, motiveless.

Paradoxically, such violent action elso is less shocking and less exciting. When each three-minute module between ads must contein one sexual innuendo, one wisecrack and one bullet, the gunshot loses its deadly authority. Bullets that are too perfunctory rip their way not through flesh and nerves but through pasteboard and plastic.

These victims are not really dead. You can imagine all too well that, as soon as tbe scene is over, they will get up and ligbt a cigarette. The bullets don't hurt. This is violence in jest, junk violence, in the same way that there is junk food and junk sex.

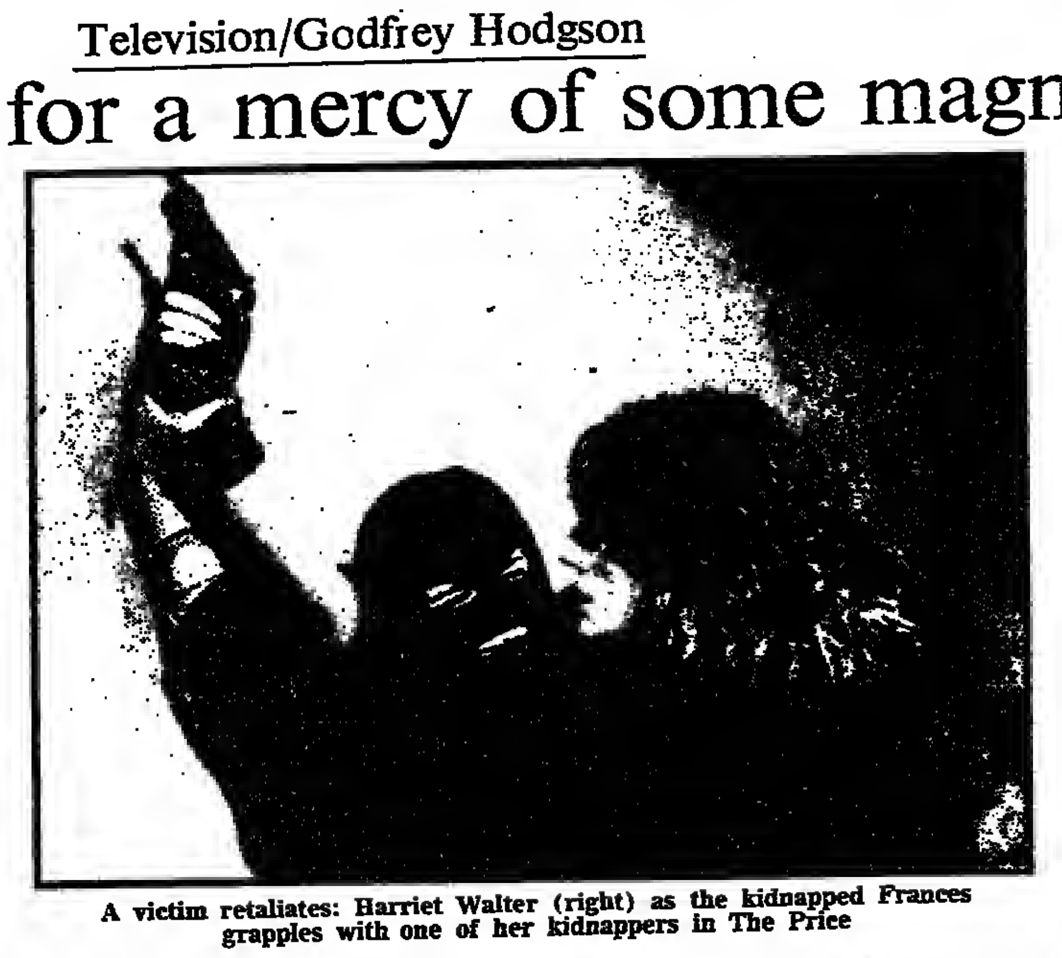
In a world where this is the staple, aod likely to become more so, let us be thankful for small mercies; and Channel Four's intelligent, elegant thriller about the kidnapping of e computer millionaire's wife in Ireland, *The Price*, is a mercy of some magnitude.

One of the critics over the weekend described *The Price* as slow. He must heve hrain damage brougbt on by watching too meny cop sbows. Of course a good thriller is slow compared with those mindless serials wben there bas to be a killing every few seconds because the scriptwriter has not got the imagination to hold the audience in any other way; or is afrald tbat, if he doesn't put one in, the producer will fire him.

It is the slow unfolding of the plot and the slow revelation of character that makes the action, when it does come, ao much more exciting, and the violence so much more shocking. In the real world, after all, even on the beat or on the battlefield, moments of terror and violence are preceded hy hours of tedium.

In *The Price*, tbera is plenty of violence, but it is expleined and built up-to. The kidnepper, Frank, cuts off the finger of his victim, Frances, and posts it to her husband, Geoffrey, the millionaire. The packet is taken some time and opened by police forensic scientists. In the hrown paper, there is a finger with cracked nail varnish and a gold wedding ring. CUT to millionaire holding ring, saying, "Yes, that's her ring. Is she elive?" The effect on Geoffrey is conveyed economically, the viewer'e intelligence is assumed.

Thet could be mere Grand Guignol, so horrible that we would protect ourselves by laughing. It is something more than that because we know that the kidnapper is attracted to



A victim retaliates: Harriet Walter (right) as the kidnapped Frances grapples with one of her kidnappers in The Price

Frances, though be pretends to desplse her as a rich English bitch. It is beceose he wants to prove to Maire, his partner in the kidnapping (and, we are left to assume, also in bed), that he still is loyal to her and to the cause that he says, "I'll do it."

The Price is sald to be "from an idea by Peter Barkworth," who plays Geoffrey, the computer man, like e sexier Jimmy Carter. It has to be said thet its kernel is not so mnch one idea as several, all taken from recent news atories. The kidnapping of e millionaire in Ireland to raise money for e Northern terrorist group is no new idee; end even the twist that Frank is a loner who wants to buy etatus in the IRA with his money is remininscent of whet is said of Eddie Galleghe, who kidnapped Dr Herema.

Again, the author, Peter Ransley, has taken the trouble to go to Control Risks, or another of the firms that advises clients of "kidnap and ransom" underwriters at Lloyd's, to find out how e real millionaire would be advised to handle a kidnap and the payment of ransom. And even the dénouement, when Geoffrey snaps out of his defeetism and turns bis own husiness skills to use by writing his own programmes for the police computer to track down the kidnappers, has echoes of the Yorkshire Ripper case.

And so on. What Ransley has done is to take these ideas, none of them notahly original, and make them plausible because eech cheracter's actions can be seen to be motivated by sometbing in that character's experience thet we have been told about.

The process of estahlishing solid character does take time which is why good thrillers cannot achieve the same breakneck pace as bad thrillers. Bnt Ransley does not hang about. He conveys a great deal of information in a line, even a look, and he is helped by Peter Smith's subtle direction and marvellous acting from a half-English, half-Irish cast, and by bauntingly beantiful locations in the Irish Midlands.

But what really distinguishes *The Price* from less accomplished thrillers, and has made it such e pleasure, is the clever way writer director and actors have explored the multiple tensions tied tighter by the kidnapping. There is the tension between Geoffrey and his wife Frances who, at the beginning of the story, rushes past him saying, "Don't touch me!"

There is the tension between Frances and her daughter, who at 13 knows her mother well enough to hrush aside her pretence that ehe is flirting with Frank only hecause she wants to escape. And there is the tension between Frances, the sister who went to England and married a millionaire, and Margaret, who stayed behind. Linda Spurrier is an exciting actress with an exciting voice, and she brings the character of Margaret to life with one unforgettably-delievered line. She eyes Geoffrey a shoulder on which to cry hut then hecomes aware that he might be interested in more than just that part of her. "Oh, go and get your comfort elsewhere," she says.

And then there is the metching tension between the kidnappers. Their faces in stocking-masks, hiding in a harn and armed to the teeth, Frank and Maire play an exquisite jealousy scene in a modern mode.

"You think I'd keep the money for myself?" says Frank, the ontraged idealist. "And her!" says Maire. It is the first indication she is aware of Frank's interest in Frances except as a hostage.

"I'm just raising her political conscience," is his excuse. "Consciousness," says she, a schoolteacher before she was a terrorist. "Not every woman wants you to fuck her."

"Only most of them," says be. "That'd be the big laugh, if I took hoth his money and his wife!"

There is the tension between Geoffrey and his advisers, including the man from Lloyd's, who wants to negotiate a ransom deal, and the policemen, both from the Repuhlic and from the North, who want the kidnappers, dead or alive.

And finally — laid bare hriliantly in the last exchanges of the whole series—there is the tension between Geoffrey and Frances. She may not be the most loyal of wives. But when it came to the point, would he give up his company to save her? Does that make him the most loyal of husbands?

It may not be the Four Horsemen of the Apocalypse, as the late Cyril Bennett used to say (it was almost his highest praise). Bnt it is fresh enough and cool enough to be very welcome in a dry season.

Oh, hy the way, have yon heard about the new cop show on ITV. It's called *Dempsey and Makepiece*. As it says in the TV Times, the pace is killing. Oh, yeah, and it's about these two policemen, see, they're buddies, see, hut there's this twist, you know what I mean? One of these coppers is a cop. I mean a real State-side cop. In London. That's original, even if not very likely, with Met pay the way it is and the pound at a dollar and a dime. But, of course, it might even help to sell the U.S. rights . . . et a price.

The Garden of England/Shaw

Michael Coveney

In the wake of Talent Night in a Kentish Miners' Welfare Club, five members of the strike-bound community sit eround peeling Brussels sprouts for the soup kitchen, singing songs of solidarity accompanied hy a pianist dressed up as e panda and celebrating the role of loyal wives and girlfriends.

Researched in the field and erriving at the Shaw with all the defiant paraphernalia of collecting huckets in the foyer and heroic miners onstage and in the audience, Peter Cox's play for the threatened 7:84 England Company could hardly have more in its fevour, especially in the partisan climate of a Camden-coloured audience rippling with "Coal Not Dole" hedges and stripey woollens.

Unfortunately, the only basis on which you could possibly muster enthusiasm for the show is to share its convictions, and even that might not be enough. As a piece of rallying cabaret it is feeble in the extreme. As a dramatic concoction it is simply inert. What a falling off is here from Mr Cox's last play, his richly textured, imaginative and provocative study of an Irish Republican household torn apart by the contemporary troubles, *Up to the Sun and Down to the Centre*.

Noddy (Derek Thompson) has voted for strike "action" and has taken it by assaulting a working miner and inflicting damage on a tromhone. His wife

Alastair Muir

Andy Smith (in panda suit), Pip Donaghy, Eve Bland, Derek Thompson and Linda Broughton

Lesley (Eve Bland) has joined the fight and gone abroad to address car workers in Belgium. Older Ted (Philip Donaghy) laments the lot of his family driven from one mining area to another while his wife Sheila (Linda Broughton) sings e song ahout picket-line violence in England's green and pleasant land where children once ran free. The incidents of Orgreave and Bettesbanger are recalled in a gratuitous slide show of blown up photographs, and some Lorry-style cartoons by Phil Evans crack a few weakly supportive visual jokes.

John Burrows' production is content to accommodate messy musical direction, cheerfully inaccurate singing of Paul Abrahams's occasionally catchy march tunes—Andy "Pande" Smith's piano thumping and smug delivery of righteous lyrics make him sound like a one man alternative Chas and Dave—and predictable cracks at the law and the Press.

I think the miners deserve better than this. We are too close to current events to commit them already to the insult of careless, sloppy agitprop.

Amsterdam Philharmonic

Max Loppert

Near the completion of a nine-concert Britisb tour, the Amsterdam Philharmonic Orcbestra, under a British conductor, Vernon Handley, and with a Britisb soloist, Moray Welsh, on Monday presented itself for a Festival Hall showing. This is the "other" — and younger — Amsterdam orchestra; and, even without recourse to tactless comparisons with that illustrious elder, one was still able to rate it a substantial ensemble of second rank on the evidance of Wagner, Dvorak, and Rakhmaninov provided.

It's a little difficult to "place" the orchestra and its playing on this occasion without sounding patronising, for the virtues demonstrated were those of solidity and honesty rather than of remarkable flair or notable splendour of sonority. The atring and wind departments (the former ranked, as always by Mr Handley, with the first and second violins correctly separated) gave a consistently secure account of themselves; the winds suggested, particularly in the exposed accompanying passages of the Dvorak Cello Concerto slow movement, both a greater degree of individual character and a greater tendency to protrude uncomfortably from the ensemble.

I'm also not sure that the programme, made of main-line choices, was ideally planned to display the orchestra's most interesting points—or else it was that Mr Handley, always a precise and authoritative figure on the podium, failed to make those points to the full. The Wagner *Meistersinger* Overture went forward in a decent, firm, uneccentric way; the same epithets hold good for the Rakhmaninov Symphonic Dances after the Interval, except that hera one began to hunger for infusions of rhythmic buoyancy, edditional rafinements of shading, a greater romantic sweep in the shaping of each movement.

But, very largely because of the character of the soloist, the Dvorak performance amounted to an experience of a different order. Mr Welsh's playing of the Dvorak is, on the surfaee, restrained—his command of the instrument, though masterly and complete, does not countenance the massive dramatic outbursts that other cellists run to—but, beneath it, filled with unforced tenderness, poetic eloquenee, and radiance. He does not "sell" the Adagio, and does not need to; for his way of allowing the sense of the music to emerge apparently of its own accord trained the ear and the attention in all the right directions. This was cello playing of high distinction.

Pogorelich/Barbican Hall

Dominic Gill

To reed the publicity hrochures of Ivo Pogorelich, or to read an interview with the man himself, can easily be to wish never to hear him play the piano again. But behind the puhlic relations, and hehind the ridiculous churlish pretension and arrogance, still liea a musician, and an artist, of extraordinary (if uneven and not alweys predictable) quality.

It was an impulsive but inspired decison of Pogorelich's to reverse the order of the two halves of his recital programme on Monday evening: that meant his Chopin, which was his best, came first, and coloured everything afterwards with its resonance. The sbowbiz hravura with which he charged Chopin's fierce C minor Polonaise in no way, as it happened, diluted its intensity: the contrasts seemed still brighter, and the shadows deeper. And his eccount of the B flat minor sonata which followed was no less than masterly—strong and passionate, made with scrupulous attention to rhythemic and contrapuntal detail.

Pogorelich's second half was e more flamboyant and elegant essay: the familiar performance, magically light and refined, of the Schumann Toccata—and still wound about with echoes of his Chopin sonata finale, a dappled whirl of oolour. A Prokofiev group came last: five pieces from the piano arrangement of the *Romeo and Juliet* suite, delivered with almost overpowering charm (here even the rhymic incisiveness was perfumed), capped by the dashing little third sonata, neat and sweet. A massive talent, that is still by and large miraculously clear-headed, for all the lure (and musical lurex) of the publicity machine.

Bouncing Czechs/Tricycle, Kilburn

BY ANTONY THORNCROFT

The Bouncing Czechs—nothing to do with Czechoslovakia but full of bounce—are the kind of five-man cabaret band who liven np earnest occasions like the Edinburgh Festival. This week, they are doing their best with Cricklewood in "the only theatre we know made entirely of Lego."

The act has changed. It used to have a tenuous theme which allowed some character development; now, it is a collection of songs, mostly original and often built around encouraging the audience to make fools of themselves. If you fancy an Halwaiian lei or simulating a killer shark, the Czechs are the band for you. It also probably helps if you are celebrating your stag night or are generally in e carousing mood.

Recent changes in the line-up have sharpened the Czechs' musicianship but reduced some of the fun, which now is concentrated on main vocalist Ricky Piper. Musically, they are very proficient, running a range from the western spoof to the Oriental parody and including a sharp little number called "Shooting dogs on Hampstead Heath," which was pointedly close to home.

Sometimes the humour seems a little forced and gets in the way of the songs, which are funny enough in themselves. "Halloween 8" and "Hong Kong" are particularly high on hrio and the act still ends with an enthusiastic "Shout."

The Bouncing Czechs are in direct competition with Harvey and the Wallbangers and Fascinating Aida as leaders in contemporary cabaret. Musically, they head the pack, but they need to edd more jokes to maintain the two-hour act at a consistently top pitch.

Bach and Handel celebrations

The English Bach Festival is holding three concerts this week in the Banqueting Hall in Whitehall, to mark the tercentenaries of the births of Handel and Bach. Full details from the English Bach Festival, 15 South Eaton Place, London, SW1

Hampstead's timely appeal

The Hampstead Theatre has launched an appeal for £40,000 to finance the construction of a rehearsal room at the hack of the theatre. In comparison with other fund-raising activities by arts organisations the target is modest, but it is very much in line with the philosophy of self-help which is infecting the arts world, and in perticular those companies that will he affected by the reorganisation of local government.

Hampstead is asking for assistance now partly because it is celebrating its 25th anniversary, but mainly because it knows things are going to be tougher in a year or so's time. In addition it wants a rehearsal room because it will both save and make extra revenue.

It will save around £5,000 annually because there will be no need to hire rebearsal halls away from the theatre, e costly and cumbersome business. It will make money because the reconstruction will create another row of seats, adding a further £3,000 to revenue and lifting the potential capacity audience from 157 to 178. By taking such an initiative now Hampstead will be better prepared to sustain any financial buffeting in the next few years.

At present it earns half its income from the hox office, an achievement for such a small theatre; and half from subsidy, of which £107,000 comes from the Arts Council (to be increased by 2.3 per cent in 1985-1986), £52,000 from Camden, the local council, and £24,500 from the GLC.

Camden's future aid is threatened by rate capping. It has the will to help, but faces yawning extra arts costs if it has to sustain the Round House, being converted into an unprofitable bleck theatre, and maintain the Shew. The GLC grant depends on politics.

Throughout London arts groups, from the National Theatre to Riverside, wait to play its extinction. Will it go out in a blaze of glory, spending its resources in defiance of the Government, and its own legend of limited funds, or will it show the importance of its contribution to the arts by withdrawing funds from one major (the National?) or a few important (ENO, Riverside), clients and burdening the Government with the responsibility, and the glory, of saving celebrated institutions?

Whatever the GLC does next month it is certain that neither the Arts Council nor local councils will have the resources to make good all the GLC arts funding.

ANTONY THORNCROFT

BASE LENDING RATES

A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½ %
Armco Trust Ltd.	14½ %	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	R. Raphael & Sons	14 %
■ Brown Shipley	14 %	P. S. Refson	14 %
CL Bank Nederland	14 %	Roxburghe Guarantee	14½ %
Canada Perm'nt Trust	14 %	Royal Bank of Scotland	14 %
Cayzer Ltd.	14 %	Royal Trust Co. Canada	14 %
Cedar Holdings	14 %	■ J. Henry Schroder Wagg	14 %
■ Charterhouse Japhet	14 %	Standard Chartered	‖14 %
Choulartons**	15 %	Trade Dev. Bank	14 %
Citibank NA	14 %	TCB	14 %
Citibank Savings	¶12¾ %	Trustee Savings Bank	14 %
Clydesdale Bank	14 %	United Bank of Kuwait	14 %
C. E. Coates & Co. Ltd.	14½ %	United Mizrahi Bank	14 %
Comm. Bk. N. East	14 %	Westpac Banking Corp	14 %
Consolidated Credits	14 %	Whiteaway Laidlaw	14½ %
Co-operative Bank	*14 %	Williams & Glyn's	14 %
The Cyprus Popular Bk.	14 %	Wintrust Secs. Ltd.	14 %
Dunbar & Co. Ltd.	14 %	Yorkshire Bank	14 %
Duncan Lawrie	14 %		
E. T. Trust	14½ %		
Exeter Trust Ltd.	14½ %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14½ %		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½ %		
Griodlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%. 1 month 11.75%. Fixed rate 12 months £2,500 11.75%. £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
§ 21-day deposits over £1,000 12½%.
‖ Mortgage base rate.
¶ Demand deposits 11%.
** Gen Provincial Trust Ltd.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 15–21

Theatre

PARIS

Almeida Theatre's The Possessed in a Youri Lioubimov production, his first in the West. In a succession of short sharp realistic scenes he transmits Dostoyevski's vision of people obsessed by a totalitarian dream of power. Odeon Théâtre National, 1 Place Paul Claudel (325 7032).

LONDON

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Waste (The Pit): Riveting RSC revival directed by John Barton of Granville Barker's 1907 once-banned play about e politician destroyed by an adulterous liaison leading to an abortion, a death and e suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dignam in a stellar cast. (628 8795).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Coriolanus (Olivier): Peter Hall's best production to date at the National, Ian McKellen a splendidly histrionic thing of war, thrilling use of the Olivier's arena architecture. Irene Worth never better as Volumnia. In all, a thoroughly lucid exposition of a great and complex play with an NT company that for once resembles an ensemble. (928 2252).

The Hired Man (Astoria): Worthwhile new musical of Cumbrian agricultural and war-time life, based on a novel by Melvyn Bragg. Persuasive anthems, marches and chorales composed by Howard Goodall, with e high standard of singing and musical direction. Lyrics and book less secure. (734 4287).

NEW YORK

Brighton Beach Memoirs (Neil Simon): If it wasn't sure before, playwright Neil Simon can expect e long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporating gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, done in the campiest possible way with doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

The Marriage of Figaro (Folger): The company's own adaptation of the Beaumarchais script will also use Mozart's music and da Ponte's libretto in an ambitious eclectic production. Ends March 10. (546 4000).

CHICAGO

Adventures of Huckleberry Finn (Goodman): Stuart Gordon directs the Organic Theatre Company's revival of its 1975 local hit to commemorate the 150th anniversary of Mark Twain's birth. Ends Mar 3. (443 3800).

Riches to Ragtime (Pheasant Run): World premiere of John Reeger and Ed Flesch's view of scams and fast talkers by combining Scott Joplin tunes with O. Henry characters. Ends Mar 31 (261 7943).

On the Razzle (Absolute): Michael Leavitt directs the local debut of Tom Stoppard's interpretation of the Johann Nestroy farce. Ends Mar 31 (327 5252).

TOKYO

Musashi Miyamoto, (the 17th century swordsman whose philosophy and fighting techniques set out in his Book of Five Rings are said to be the basis for Japanese modern business strategies and compulsory reading at many U.S. business schools) This play is based on the highly romanticised fictional version of Musashi's life by the late Eiji Yoshikawa (available in English translation.) Kabuki actor Koshiro Matsumoto plays Musashi, while the supporting cast come from the modern theatre. Not to miss a business opportunity, English earphone commentary and excellent programme notes have been made available – if you missed the book or for refresher course. Kabuki-za. (541 3131).

La Cage aux Folles. The Japanese version of the spectacular New York hit portraying Broadway in the 1930s. Choreography: Linda Haberman. Director: David Mitchell, Yasuo Kobayashi; costumes: Theoni Aldredge, Seiji Mano. Directed by Koji Aki starring Masumi Okada, Masanori Kondo. Imperial Theatre. (212 4811).

Bunraku Traditional Puppet Theatre. 5-foot tall puppets, three manipulators to each, are the "cast" in this sister-form of Kabuki. The internationally acclaimed Osaka troupe's February visit consists of an all-Chikamatsu (Japan's greatest playwright) programme. Most of the plays are set in 18th century Osaka and, typically, based on daily lives of merchants and common people and their conflicts especially between love and duty. It is the first time that Ikudama Shinju (Double Suicide at Ikudama) has been staged since its first performance in 1715. Excellent English earphone commentary and programme notes. National Theatre Small Hall (265 7411).

APPOINTMENTS

Watney Mann posts

Mr R. M. Harston, managing director of Drybrough and Co., WATNEY MANN & TRUMAN'S operating company in Scotland and Tyne Tees, is moving to London to take up a senior staff position in the WMTB Centre. He will be involved in development of the group's trading activities. Mr W. E. G. Falconer, managing director of Watney Mann National Sales, will succeed Mr Harston as managing director of Drybrough and Co. Mr M. G. Jones will succeed Mr Falconer as managing director of Watney Mann National Sales. Mr Jones is presently managing director of the Special Beer Co., a Grand Met. subsidiary. Mr D. M. Jacobs currently free trade director of Watney Mann & Truman Brewers will succeed Mr Jones as managing director of the Special Beer Co. These changes will be from March 1.

*

STANCLIFFE, TODD & HODGSON, stockbrokers, has appointed Mr Douglas C. McQueen as a consultant. He was group finance director of I. J. Dewhirst. Initially, he will devote a large part of his time to research in the textile and retail sectors.

*

Mr Hayden Davis has been appointed financial director of JOSEPH BILLINGHAM, Cradley Heath.

*

Mr John Nesworthy has been appointed managing director of the industrial and commercial switchgear division of DELTA GROUP. He was previously managing director of GEC HV Switchgear.

*

Sir John E. Hall, managing director of European Brazilian Bank, has been elected chairman of the ASSOCIATION OF BRITISH CONSORTIUM BANKS for 1985-86. The Association's title has been amended from the previous style of the Association of Consortium Banks. Mr Thomas F. Gaffney, managing director of Libra Bank, has been elected deputy chairman. Other members of the executive committee for the year 1985-86 will be Mr J. Ankarcrona, managing director, FennoScandic, Mr M. E. Constant, general manager, Jordan Finance Consortium, and Mr G. L. Sapsted, managing director, International Commercial Bank. Mr C. W. Sargent, manager, European Brazilian Bank, was appointed honorary secretary of the Association.

*

Mr Paul Dhesi is to spearhead MICROVITEC'S diversification plans. His role will also include responsibility for sales and marketing, product direction and the U.S. marketing arm, Microvitec Inc.

*

Mr Brian Guy has become managing director of WILTSHIER NORTHERN. He joins the Wiltshier Group after 11 years with Miller Buckley.

*

R.C.R. CONTRACT HIRE & LEASING has appointed Mr D. R. Davies as chairman, Mr N. H. Atkinson as managing director and chief executive and Mr F. Woolley as company secretary.

*

SIR WILLIAM HALCROW AND PARTNERS GROUP has appointed Mr R. M. Dargie, as group business development director. He is a consultant to the group and a director of Halcrow Water.

*

NOTTINGHAM BRICK has made the following appointments to the main board from March 4. Mr Derrick Venn becomes commercial director. Previously he held a number of appointments within London Brick, including commercial director. Mr Guy Dowding has been made director and general manager at the Dorket Head and Thurmaston factories. He joined from Steetley Brick at the beginning of 1984, and since then has been general manager of these factories.

*

Mr Roger G. Bibby has been appointed marketing director of ARMOUR SYSTEMS. He was previously with a subsidiary of Cape Industries.

CONTRACTS

Foster Wheeler wins £27.3m Antiguan order

FOSTER WHEELER POWER PRODUCTS is to be main contractor for the Antiguan Public Utilities Authority's combined power and desalination plant at Crabbs Peninsula, Antigua. The order is worth $30m (£27.3m). The desalination plant will increase the island's supply of drinking water by 2m imperial gallons a day. Both the power plant and desalination plants are sized to provide industry, commerce and residential consumers with adequate supplies of power and water to meet their present and future demands. The project is to be jointly arranged and financed by Foster Wheeler and the Japanese Ex-Im Bank. Ishikawajima - Harima Heavy Industries will be supplying the boilers, turbo-generators and the desalination plant. The technology for the desalination plant will come from Sidem of France. The turnkey contract is due to be fully commissioned by January 1987.

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CRITTALL CONSTRUCTION, a member of the Norcros Group, has won a multi-million pound contract from Westinghousa Brake. The order for the supply of stainless steel componeots and associated motal work will form part of the Westinghouse Brake and Signal package providing signalling and platform screen door systems to be used on the Singapore Mass Transit Railway. Norcross company will initially provide its equipment for use in the underground stations associated with phase 1 and 1A of the Singapore project. Delivery will commence early in 1986. Crittall Construction has also won four major orders worth £1.6m. It will supply certain walling worth £1m for a major office block being built by McCarthy and Stone in Bournemouth. For the Westgate office development in Southall, £343,000 worth of patent glazing, structural steel work, gutters, access equipment, smoke vents and other equipment is to be manufactured and installed. Another patent glazing order, also for a new building, is destined for the City of London School, Surbiton, where the contract is worth £190,000. An order for £84,000 worth of patent glazing will be delivered in April to MFI's headquarters at Northampton, where it will be used in a new building.

*

House of Fraser has ordered a computer system, believed to be worth £5m, from HONEYWELL to help run its chain of over 100 retail department stores. Stores in the group to benefit from the installation include Harrods, Army and Navy, Dingles, Binns, Rackhams, Frasers and Arnotts. The order is for Honeywell's new DPS88 mainframes. They will be used for stock control, warehousing control, credit control and a full range of accounting services. They will also form part of House of Fraser's extensive communications network, linking the group's computer centre at Swindon with regional distribution centres and point-of-sale systems. Tha first of the new compnters will be installed in July and the complete system will be finalised by early 1987.

*

TROLLOPE AND COLLS MANAGEMENT has been ewarded a £1m contract by the Wandsworth Borough Council for the erection, equipping and commissioning of a new laundry adjacent to the Battersea Heliport and due to be completed by September.

RESOURCES REVIEW

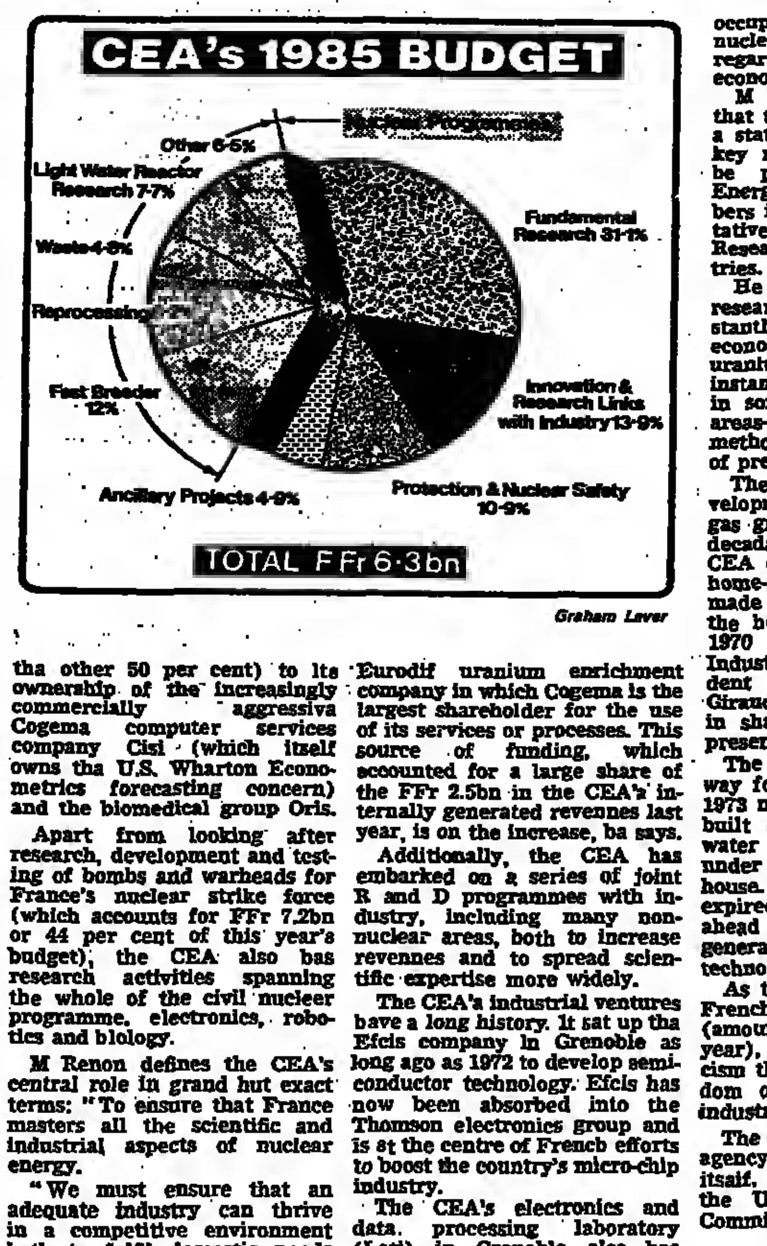
The powerhouse of French nuclear energy

By David Marsh in Paris

FRANCE'S Commissariat à l'Energie Atomique, set np 40 years ago as the world's first agency dedicated to developing atomic energy, is itself undergoing gradual nuclear transformation.

Tho CEA's role as e pioneer, pushing forward civil and military applications of the atom, has now started to fade. With tha French nuclear industry growing remorselessly in aize and importance over the past dozen years, the CEA is instead increasingly faced with e different challenge—of managing its sprawling industrial and technological interests. Today, the CEA is one of France's largest conglomerates and, like the major oil companies, facing e major challenge of diversification.

From being an upstart in the international nuclear race against the U.S. and Britein during the 1950s and 1960s, the Commissariat bas balanced independent efforts with judiciously-chosen acquisitions of foreign know-how to catch up with its rivals' technology.



Graham Lever

In uranium enrichment and reprocessing, originally developed by the Anglo-Saxons for the wartime A-bomb project, France has even moved ahead of the field in harnessing the procedures commercially for civil applications and on en international scale.

Ironically, this technological edvance has brought the Commissariat new problems. Although the CEA can now negotiate from a position of relative strength, it is becoming more dependent on international collahoration. This is both to lower the cost of advanced projects in such areas as the fast breeder reactor (FBR) and to gain a foothold in new or growing nucleer industries in hoth industrialised and developing countries.

It is no coincidence, for instance, that the CEA's fuel cycle subsidiary Cogema, which numbers utilities in West Germany and Japan arnong its most important clients, is hoping for a significant technical role in both countries' plans to build commercial reprocessing facilities for the 1990s.

Additionally, as curbs on public spending have restricted research budgets in France, the Commissariat faces increasing pressures both to place its activities on e more commercial footing and to pass on more of its publicly-funded research expertise to the rest of tha French economy.

Presiding over the CEA's current fortunes is M Gerard Renon, 44, who is like most senior figures in the CEA's history a graduate of the elite military-style engineer's academy, the Ecole Polytechnique.

M Renou took over as Administrator General in summer 1983 when M Michel Pecqueur, the previous incumbent, became head of Elf-Aquitaine the oil company.

M Renon likes to stress the unexpected continuity of commitment to the nuclear programme between the Mitterrand Government and its rightwing predecessor. He himself worked his way up the French energy hierarchy with spells in the oil, coal and gas sectors before becoming an adviser to President Mitterrand at the Elysée Palace when the Socialists took power in 1981.

Now, he heads an empire with an annual hudget of FFr 16.2bn (for this year) and turnover of around FFr 25bn. Activities cover precically the entire gamut of high technology, ranging from the CEA's 50 per cent stake in nuclear power company Framatome (for the moment, the CEA is the only shareholder following the liquidetion of Creusot-Loire, which previously held tha other 50 per cent) to its ownership of the increasingly commercially aggressiva Cogema computer services company Cisi (which itself owns tha U.S. Wharton Econometrics forecasting concern) and the biomedical group Oris.

Apart from looking after research, development and testing of bombs and warheads for France's nuclear strike force (which accounts for FFr 7.2bn or 44 per cent of this year's budget), the CEA also has research activities spanning the whole of the civil nucleer programme, electronics, robotics and biology.

M Renon defines the CEA's central role in grand hut exact terms: "To ensure that France masters all the scientific and industrial aspects of nuclear energy.

"We must ensure that an adequate industry can thrive in a competitive environment both to fulfil domestic needs and to export reactors and fuel cycle services. We must also see to it that France has up-to-date and therefore credible nuclear weaponry for its strike forces."

The CEA's overall 1985 hudget, of which about FFr 12.7bn comes from direct Government credits and the rest from outside funding and the CEA's own resources, shows growth of 5.5 per cent compared with 1984. This adds up to stagnation in real terms—a far cry from the free spending pattern of the immediate postwar years.

M Francis Perrin was High Commissioner of the CEA in charge of scientific activites from 1951 to 1970—when France was devoting large-scale efforts to atomic and then thermonuclear weapons. Now in retirement, be recalls that scanty controls on the CEA's spending during that period made the Commissariat something of a "scandal" for the Finance Ministry. "We were given a statute of autonomy analagous to that of Renault. The difference was that Renault was there to make money for the state—and the CEA was there to spend it."

M Renon admits that, given current budgetary constraints, "the funds banded by the Government to the CEA may not increase as much as we would hope." Although he believes cash will be sufficient to maintain the CEA's research and development efforts in major areas, he says: "Wa have to increase our revenue."

Unlike atomic agencies in most other countries, the CEA charges fees to industry — for instance, to the multi-national Eurodif uranium enrichment company in which Cogema is the largest shareholder for the use of its services or processes. This source of funding, which accounted for a large share of the FFr 2.5bn in the CEA's internally generated revenues last year, is on the increase, ba says.

Additionally, the CEA has embarked on a series of joint R and D programmes with industry, including many non-nuclear areas, both to increase revenues and to spread scientific expertise more widely.

The CEA's industrial ventures bave a long history. It set up tha Efcis company in Grenoble as long ago as 1972 to develop semiconductor technology. Efcis has now been absorbed into the Thomson electronics group and is at the centre of French efforts to boost the country's micro-chip industry.

The CEA's electronics and data processing laboratory (Leti) in Grenoblo also has joint electronics ventures with the Rhone Poulenc and Compagnie Generale d'Electricite groups. It has signed 50 licensing contracts with 80 different companies in areas ranging from weighing machines to scientific instruments.

M Bernard Tinturier, who directs the CEA's research links with industry, is in charga of efforts to expand ties with outsida companies beyond mere licensing deals to wider R and D "marriages."

Collaboration areas include fluid separation in the food, perfumes and oil industries, scanning equipment for diagnosing diseases, robotics and biotechnology.

At the end of last year Leti and Thomson signed a long-term agreement to pool expertise and research teams in developing advanced micro-chips, and e similar deal could be clinched soon in the hiotechnology sector.

The CEA is elso exploring plans to invest in small high growth U.S. companies.

Licensing and other technology- transfer deals provide around FFr 400m income e year for M. Tinturier's department, ont of its total revenue of FFr 900m. He argues that if the proportion rose over 50 per cent, commercial links could damage the scientific valne of the CEA's work. But, in general, "collaboration with industry gives us an excellent criterion for onr own work. If we did all our research in secret, we wouldn't know whether or not we wera competitive," M Tinturier says.

Expanded links with the outside world could counter the criticism sometimes made of the CEA that it is aloofly preoccupied with pushing its own nuclear initiatives withont much regard for the rest of the economy.

M Renon rejects the charge that the CEA is a "state within a state." He points out that all key nuclear decisions have to be passed by the Nuclear Energy Committee whose members include top-level representatives of the Foreign, Industry, Research and Defence Ministries.

He points out that nuclear research programmes have constantly to be edapted to economic needs. Research into uranium enrichment for instance has been scaled back in some technically promising areas—for instance chemical methods of separation—because of present world over-capacity.

The decision to abandon development of the French-made gas graphite reactor, ending a decada of bitter debate in the CEA over the need to support home-grown technology, was made by M Andre Giraud. As the head of the CEA between 1970 and 1978 and later Industry Minister under President Giscard d'Estaing, M Giraud has played e major part in shaping the Commissiarat's present industrial role.

The 1970 decision paved the way for France's massive post-1973 nuclear power drive to be built entirely on pressurised water reactors constructed nnder licence from Westinghouse. The licence bas since expired, and France is pressing ahead with a future PWR generation now using all-French technology.

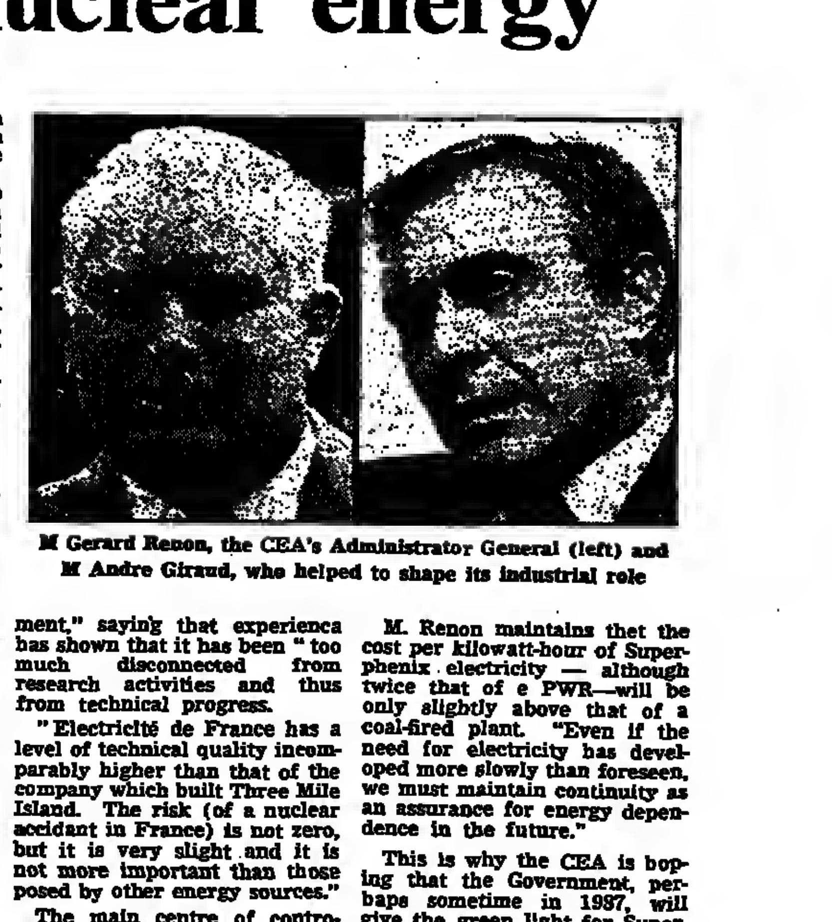
As the nuclear component of French electricity grows epace (amounting to 60 per cent last year), the CEA is open to criticism that it has too much freedom of action in vetting the industry's safety arrangements.

The CEA has no regulatory agency over its bead: it vets itsaif. M Giraud replies that the U.S. Nuclear Regulatory Commission is e "had investment," saying that experienca has shown that it has been "too much disconnected from research activities and thus from technical progress.

"Electricité de France has a level of technical quality incomparably higher than that of the company which built Three Mile Island. The risk (of a nuclear accidant in France) is not zero, but it is very slight and it is not more important than those posed by other energy sources."

The main centre of controversy in the CEA's civil activities remains, however, its work on the FBR, on which it is spending FFr 750m this year, 30 per cent of all civil nuclear research expenditure.

The FFr 20bn 1,200 MW Superphenix FBR which is almost completed at Creys Malville in the Rhona Valley is not naw expected to become fully operational until next spring. This is a signficant slippaga compared with even recent targets, mainly because EdF, with its large battery of PWRs now performing economically, has no pressing need to bring the fast breeder on stream.



M Gerard Renon, the CEA's Administrator General (left) and M Andre Giraud, who helped to shape its industrial role

M. Renon maintains thet the cost per kilowatt-hour of Superphenix electricity — although twice that of e PWR—will be only slightly above that of a coal-fired plant. "Even if the need for electricity has developed more slowly than foreseen, we must maintain continuity as an assurance for energy dependence in the future."

This is why the CEA is hoping that the Government, perbaps sometime in 1987, will give the green light for Superphenix-2, to be built on a site not yet determined but with significant financial participation this time from Britain as well as the main shareholders in Snperphenix-1, Italy and West Germany.

The cost of Superphenix-2 should come down by one-third as a result of design improvements and the dropping of some safety features now regarded as excessive. Meanwhile, EdF is making clear it would be content if its stake in tha next Superphenix drops to less than 50 per cent—to help in its general efforts to cut investment costs.

COMMERCIAL LAW REPORTS

No VAT on feed for farmer's own horses

SPIGOT LODGE LTD v COMMISSIONERS OF CUSTOMS AND EXCISE
Queen's Bench Division (Crown Office List): Mr Justice Hodgson: February 15 1985

WHERE A farmer provides the feed and labour for horses including his own, which are accommodated, fed and trained by e company owned by him, the feed and labour apportioned to his own horses by proper accountancy methods are not "supplied" to him by the company, and are therefore not subject to VAT.

Mr Justice Hodgson so held when allowing an appeal by racehorse trainers, Spigot Lodge Ltd, from a decision of a value added tax (VAT) tribunal upholding an assessment of £46,073 made on the basis that from July 1 1979 to March 31 1982, Spigot made a composite supply of the feeding, care and training of racehorses owned by Mr Guy Reed.

* * *

HIS LORDSHIP said that for many years Spigot had carried on the business of training racehorses, and was registered for VAT.

Mr Reed farmed under the name Guy Reed Farms (GRF). He owned racehorses which, since 1968, had been trained by Spigot. In 1972 he acquired 75 per cent of Spigot, and in 1972 he bought all but one of the remaining shares.

Prior to August 1979 Spigot had its own labour, accommodation for horses, and gallops, and purchased its own foodstuffs. It charged a composite fee to its owners, which included all the training services, foodstuffs and labour, on which VAT was charged at the standard rate.

In August 1979 there was a re-organisation. The Spigot employees, including the trainer, became employees of GRF, and it was agreed that GRF should supply the training establishment with all the food needed for the horses. No physical separation was made between food for Mr Reed's horses and those owned by others.

All the stable lads were employed by GRF. They each looked after three horses. Some belonged to Mr Reed, some to other owners, and some to Mr Reed in partnership with other owners. A lad might look after three horses, one in each category.

Although no physical differentiation was made between the food and labour expended on the different horses, an apportionment was achieved by accountancy methods. The result arrived at fairly reflected the amount of labour and feed expended on the three different eetegories of horse.

GRF invoiced Spigot only for the feedstuffs and labour attributable to the "outside horses," the apportionment being made on a numerical basis. Similarly, Spigot invoiced Mr Reed only for the accommodation and training of his horses, and not for the feedstuffs or labour.

Sections 1 and 2 of the Finance Act 1972 provided for the charging of VAT on the "supply" of goods and services. The question was, what was "supplied" by Spigot to Mr Reed?

Mr Lawton, for Spigot, submitted that all it supplied was accommodation and training, and that the food and labour were supplied by Mr Reed as sole proprietor of GRF. The Solicitor General submitted that Spigot supplied exactly the same composite service to Mr Reed as it did to the "outside" owners.

The tribunal placed particular reliance on two decisions, *Scott [1978] STC 191* and *Bushby [1979] STC 8*, which held that feedstuffs for mares and goats, admitted to be part of a composite supply, could not be treated as a separate component.

In those cases it was not disputed that tha feed had been "supplied," so they were not directly concerned with the present question. In *Scott*, however, Lord Widgery CJ and Lord Justice Cumming-Bruce both emphasised that one should approach such cases with commonsense, rather than allow the subject to become "over-legalistic and over-dressed with legal authorities" (Lord Widgery).

It was conceded in argument that bad there been a physical seperation of the feed and labour, it could not be said that Mr Reed's horses were being supplied by Spigot.

Mr Reed, with his own transport, might hava individually supplied each box containing his own horses with its own feed, and supplied feed for the outsiders in bulk to Spigot. Or he might hava supplied the feed for his own and outsider horses separately in two different bins. Separation of labour could easily heve been made by allocating some stable lads to Mr Reed's horses only and others to the outsider horses.

There was no reason why there should be any different legal result if separation were made by unimpeachable accountancy calculations, rather than physically. It would be the opposite of commonsense if the two methods of separation led to different results in law.

With some hesitation the tribunal concluded that it could not accept Mr Lawton's submission as to the true nature of the supply. It said it was aware that to a layman the concept of a supply by Mr Reed of feedstuffs and labour to Spigot for onward supply by Spigot for feeding and training Mr Reed's own horses, must appear artificial to the point of being absurd, but that "where a limited company is used as e matter of convenience its existence as a separate entity cannot be ignored."

The tribunal ought to have paid more attention to what it knew to be the layman's view, instead of rejecting it. No layman would think that Spigot was supplying to Mr Reed his own feedstuffs and labour.

The reorganisation which took place in August 1979 was perfectly genuine. The motive behind it was irrelevant. The accounting fairly and accurately reflected the organisation then set up. On e true construction of the Act and on the facts found by the tribunal, what Spigot supplied to Mr Reed was, and was only, the training facilities and not the feed and labour.

For Spigot: Philip Lawton QC and Stephen Brandon (Sampson Wade and Co., Bradford).

For the Commissioners: Sir Patrick Mayhew QC, Solicitor General and John Laws (Solicitor, Customs and Excise).

By Rachel Davies
Barrister

FINANCIAL TIMES

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The Trident commitment

SINCE the British Government first opted to buy the Trident submarine missile system five years ago, as a replacement for Polaris, the official estimate of the cost of the project has more than doubled to £10.7bn. It has long seemed that Trident offers a military capability which is far in excess of Britain's requirement for a last-ditch deterrent, and in conflict with the Government's professed commitment to arms control. The cost escalation now promises to make it a burden rather than an asset, in its impact on the rest of the defence budget.

If one of the four existing Polaris boats is on station at any one time, the British Government can strike 16 targets in the Soviet Union. With its multiple warheads, a Trident submarine could strike eight times as many targets; if two Trident submarines were on *station* at once (through longer refit intervals), the number of potential targets could rise to 256. Nothing in the Government's rationale for a last-ditch deterrent requires a target set anything like as large as this.

Besides being militarily superfluous, such a massive *expansion* is *incompatible* with any policy of arms reduction, to which Britain is formally committed as a joint sponsor of the Non-Proliferation Treaty. Britain (and France) have so far avoided making any contribution to the nuclear arms control negotiations between the superpowers. But for the *British Government* to applaud American proposals for radical reductions in the nuclear warheads of the superpowers, while planning very large increases in its own nuclear warheads, is simply unsustainable.

Credibility

The British Government has said it would review the situation if the superpowers were to agree big reductions. Such an agreement, if it comes, *is likely* to be several years away, after Britain has become almost inextricably committed to Trident. Can it make sense to engage in the heavy expense of a major force expansion, with a contingent liability to further cost escalation so as to *reduce* the number of warheads or of missile tubes?

To pose the question is to identify one of the fatal flaws in the Trident decision: its lack of any incremental flexibility. The principal characteristics of the present situation are the rapid evolution of military technology, and the *extreme* fluidity in prospects for the arms control relationship between East and West. Yet the British Government responds with a package deal purchase of a deterrent which will be *unchanging* and *inflexible* over a 30-year period.

In any case, the credibility of the UK deterrence posture is at least as much political and psychological as it is technological. There can be little advantage *in acquiring* the best possible nuclear strike force, if the cost of its acquisition weakens the rest of Britain's contribution to western Europe's security.

Capability

This is the other major flaw in the Trident decision. The Government *supports* the case for stronger conventional defence in Nato, so as to reduce the dependence on nuclear weapons. Stronger conventional defence costs more money; but the Government has abandoned any intention of increasing defence spending as of next year. The rising costs of the Trident programme must therefore be subtracted from the money available for conventional defence and the cost escalations recorded in the past five years suggest that the subtractions will get larger in *future*.

As it is, the defence budget seems to be under permanent pressure, despite the increases in recent years, because of the cost inflation or over-runs inherent in all advanced military equipment.

The top priority must remain the strengthening of the *Alliance's conventional* capability, which is the first line of the Nato deterrent. It is not coherent for the Government to set outlandish standards of effectiveness for the nuclear force which it does not set for the more important conventional forces, in the certain knowledge that the conventional forces will pay the bill.

There is still time to halt the Trident programme before very large sums have been spent; and the life of Polaris can undoubtedly be extended long enough to choose a more appropriate replacement system if one is required. The next few years could see important developments in arms control and perhaps in Europe's own defence arrangements; there is no good case for stubbornly clinging to a commitment which is out of proportion to Britain's needs and financial resources.

Company law and inflation

THE British accountancy profession is having great difficulty in persuading companies that their financial statements should reflect the effects of changing prices. Should the Government do anything to help? The superficial response is that it should not, because *civil servants* lack expertise in this technical field. The Department of Trade and Industry said in a recent letter to the Accounting Standards Committee (ASC) that it saw "responsibility for developing an (inflation accounting) standard as resting with the profession within the framework of company law."

Yet there are all kinds of issues — from research on human embryos to the damage caused by acid rain—on which politicians, assisted by their civil servants, must make decisions. Accounting is no exception. *What sounds* like an academic argument about how financial statements should be amended to reflect changing prices is of some practical importance: it could affect materially the profit figures reported by every company in the UK.

Framework

On Tuesday night Mr Ian Hay Davison, the chief executive of Lloyd's of London and a former chairman of the ASC, entered the fray with a bold suggestion. In his Julian Hodge Memorial Lecture, Mr Davison argued that Mr Norman Tebbit, the Trade and Industry Secretary, should alter the Companies Acts by statutory order to give legal support to whatever inflation accounting standard is agreed upon by the ASC following its deliberations over its recent proposal, Exposure Draft 35. Mr Davison is not quarrelling with DTI's view that the profession should develop a standard within the framework of company law. He is suggesting that *the framework itself* should be altered. This is something which only the Government can do.

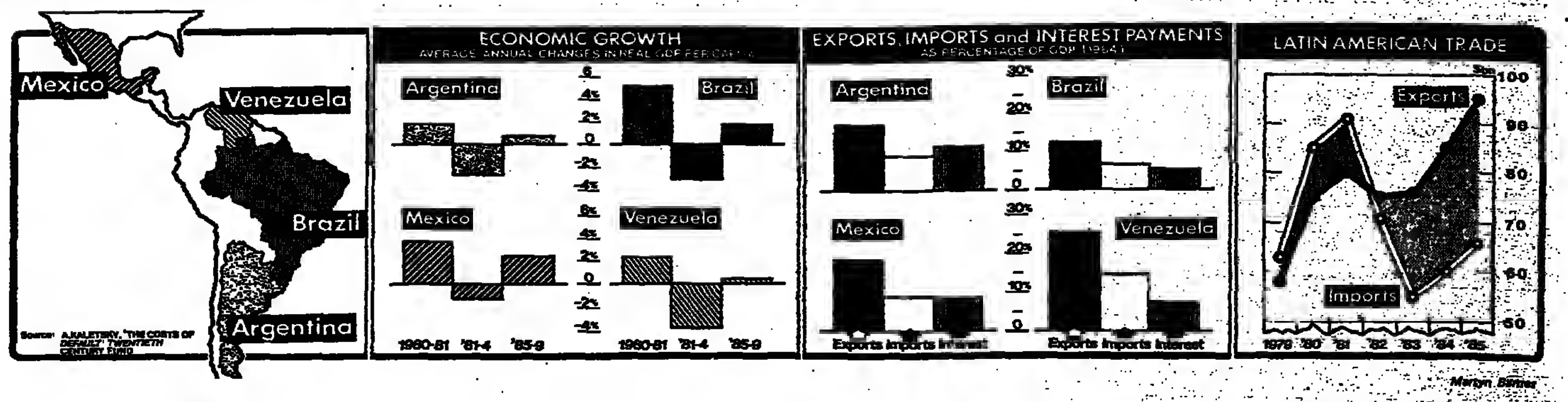
The issue at stake is disclosure. It is the task of company law to determine how much companies should disclose about their affairs. The task of accountants, as Mr Davison made clear, is to lay down standards of measurement of whatever it is that the law says should be revealed. It is thus the duty of the Government—ultimately of Parliament—to decide whether companies should reflect the effect of changing prices in accounts; the job of accountants to say how this should be done. In specifying that company accounts must reflect the impact of changing prices, where material, the Government would not be arrogating to itself the business of professional accountants nor would it be making fine technical judgments.

Realistic

Self-regulation to be effective needs an adequate legal framework. There seems no doubt that the disclosure requirements of company law should be strengthened to include a reference to changing prices. While it is possible (although *hardly likely*) that the overall price level might one day be stabilised, the specific prices of particular assets will continually change in a dynamic economy and this has to be reflected in asset valuations and, ultimately, *in* profit measurements.

There is an argument that law should follow rather than precede best commercial practice. Thus the fact that many finance directors dislike accounting methods which recognise the existence of changing prices might seem to suggest that the Goverment should leave well alone until they accept the case for inflation accounting. This argument has a flaw: accounts are not prepared for finance directors but for the ordinary users of accounts, such as shareholders, who deserve to receive an accurate measure of the management's performance. The fact that realistic accounting *methods* would tend to reduce reported profits and raise the costs of preparing accounts may explain finance directors' lack of enthusiasm but would not justify a reluctance on the part of the Government to amend the *Companies Acts* in a rational way.

THE IMF AND LATIN AMERICA



Debt crisis: it could still end with a bang

By Anatole Kaletsky

ON THE Richter scale of international economic disturbances, last week's suspension of lending to Brazil by the International Monetary Fund, followed closely by the resignation of Argentina's economics minister on Monday, hardly registered as a major tremor.

Less than three years after Mexico's first moratorium on debt repayments in August 1982, the Great Debt Crisis of 1982-84 is already being consigned to the history books by many bankers and politicians.

Here and there, the odd banker may still shudder as he recollects the awful moment of truth, when his board suddenly realised that he had exposed more than 100 per cent of the bank's capital to Latin-America. But for the world at large, the endless prophecies of doom appear to have been refuted—the debt crisis appears to be ending "not with a bang, but a whimper," as T. S. Eliot might have put it.

Mexico and Brazil, the two giant debtors which could have threatened the world financial system with catastrophic damage, have managed to *satisfy their creditors* with ever-growing trade surpluses—but at a cost in terms of price inflation which is only now beginning to be fully recognsied.

Meanwhile, the smaller and poorer countries—the Perus, Bolivias and Sudans—show few signs of economic recuperation, despite three years of IMF supervision and relentless austerity, but this is of little consequence to the banks.

These nations "could easily just fall by the wayside," in the words of one senior banker, as the *stronger Third World borrowers* pull out of debt-induced depressions and gradually return to normal relationships with the international economic system; for the commercial banks, it is of relatively little consequence whether Bolivia, with an external debt of $3bn, or even Peru, with a debt of $13bn, *ever return to financial* equilibrium.

The top four borrowers—Brazil, Mexico, Argentina and Venezuela—are another matter. The solvency of the international banking system remains desperately dependent on their ability and willingness to service debts; loans to these countries *still* amount to *120* per cent of the shareholders' equity in the top nine U.S. banks, and to more than 200 per cent of equity in Manufacturers Hanover Trust, the most exposed lender.

It has taken near miracles of economic flexibility, particularly in Brazil and Mexico, to bring the debt crisis to its present quiet resolution. But unless the miracles can be sustained without interruption from now until the end of the *decade*, the debtors' *whimper* could grow again into a howl of anger—and the debt crisis may yet end with a bang.

These miracles have enabled the biggest debtors to generate through export surpluses all of the foreign exchange they have needed to pay the interest on their loans. The speed and magnitude of the debtors' economic adjustment has far exceeded the hopes of their most optimistic creditors, or of the IMF, even a year ago.

The governments of all the top four debtors are adamant that they will borrow little or nothing more from commercial lenders this year or next. After the traumas of *the last* three years, they are determined as never before to stand on their own two feet; and there are signs that they can do this without any further sacrifices of their countries' capacities for economic growth.

For the first time this decade, all the major debtors should see some econoc growth in 1985; in Mexico and Brazil expected growth of 3 to 4 per cent should overtake the rate of population increase and per capita incomes should start to rise again, from a trough some 12 per cent below the levels they had reached before the debt crisis.

As these *prospects* have become clearer, the level of anxiety about the debt problem has eased. The unexpected combination of domestic economic revival with gigantic trade surpluses—over $12bn a year in *both Mexico and Brazil*—seemed to have got both bankers and debtors off their respective hooks. The trade surpluses would obviate future "involuntary lending," which bankers needed to provide simply to enable borrowers to meet their interest payments. The signs of domestic economic growth encourage the debtors to maintain their *willingness* to pay—economic revival in Mexico and Brazil demonstrated that governments which stuck to their obligations were not thereby condemning their nations to indefinite stagnation.

In the next few months, however, some new and potentially alarming elements may begin to spoil this satisfactory picture.

On the domestic front, a new danger—hyper-inflation may be starting to over-ride all other economic objectives, including even the need to generate trade surpluses.

Although counter-inflation policy has always enjoyed a high priority in the letter of IMF adjustment programmes, the spirit of IMF policy has been very tolerant on this point. As long as a country was meeting its balance of payments targets, the assumption has been that monetary and fiscal targets would be adjusted upwards to compensate for over-shooting inflation.

What is significant about the IMF's recent break with Brazil, on the grounds that the country was over-shooting its monetary targets by an ever-growing margin, is not so much that the Fund is becoming less flexible, but that Brazil may be joining Argentina on the borderline of hyper-inflation—the point which Bolivia, for instance, has already passed, beyond which prices spiral completely and disastrously out of control.

For bankers, the *threat of* hyper-inflation within a country like Brazil or Argentina is twofold. Politically, it is bound to be destabilising—arguably, even more so than unemployment and stagnation. But what makes inflation particularly dangerous for the current relationship between bankers and debtors, is the economic interaction between inflation, trade surpluses and economic growth.

The trade surpluses which the Latin-American debtors are *achieving* have required massive reallocations of resources from the satisfaction of domestic demand to the production of exports and import substitutes. This reduction in the resources available to the domestic economy has been a major factor fuelling inflation in all the debtor countries; the direct effect on prices is evident from constantly devaluing exchange rates, the abolition of subsidies on fuels and foreign food imports and the erection of import barriers, which create shortages and stifle *competition* in the domestic market.

> For the world at large, the endless prophecies of doom appear to have been refuted

If debtor countries had stuck to the letter of their IMF programmes, these inflationary effects of re-allocating resources to the foreign sector, might have been offset by reductions in domestic demand, particularly in the public sector. In that case, however, the debtors might not have now been able to look forward even to the moderate domestic growth which they expect.

From this point of view, it seems that debtors have not really resolved the dilemma between satisfying their foreign creditors through export surpluses and stimulating recovery in their domestic economies—rather, they have temporarily avoided this choice by tolerating ever-increasing inflation.

In the IMF's parlance, any debtor country needing to generate a trade surplus faces a choice. It can release resources for the export sector by reducing total domestic expenditure, through monetary and fiscal tightening; or it can switch expenditure from the domestic to the foreign sector by devaluing its exchange rate and taking other trade-promoting measures. An IMF prescription invariably includes elements of both policies, recognising that economies can never redirect resources smoothly from domestic output to exports, without generating some potential inflationary pressures in the process.

What appears to have happened in much of Latin-America, including even Mexico is that too much of the adjustment has come *from expenditure switching*, and not enough from expenditure reduction. When superimposed on economies with extensive indexation and long histories of rapid inflation, this pattern of adjustment brings the danger of exploding prices.

Clearly, it is not just the IMF that is becoming increasingly pre-occupied with the threat of hyper-inflation. Sr Tancredo Neves, the new President of Brazil has made it clear that bringing inflation under control will be one of his government's top priorities.

The trouble is that his policies for doing so could easily run counter to the central objective of Brazil's creditors—the maintenance of annual trade surpluses large enough to pay the whole of the country's $11bn to $13bn a year interest bill. If the IMF's standard solution to this dilemma — cutting monetary and fiscal targets to reduce demand in the domestic economy and therefore dampen both inflation and imports—proves unacceptable to Sr Neves, the world may yet be in for a re-run of last year's confrontation between the IMF and Argentina—but on a vastly greater scale.

Such a confrontation is by no means inevitable. Not only is the IMF far more politically pragmatic than its critics often suggest. More importantly, if the last two years have proved anything, it is that the Latin-American economic and political structures are infinitely flexible.

Sr Neves may be able to inflict a little more on Brazil in the name of counter-inflation policy and President Alfonsin of Argentina may stick to IMF policies, despite the political pressures which this week's resignations in Buenos Aires presumably reflect.

Furthermore, the trade surpluses which Brazil and Mexico have run up are now so huge that they could probably afford to let up slightly in their export efforts, and allow their exchanges rates to rise somewhat in real terms to help break the inflationary spiral. The banks might prefer to see Brazil maintain a trade surplus of $12bn or more for ever, but a small decline in this surplus could easily be met by a moderate amount of extra bank lending, perhaps even on a 'voluntary' basis, provided the longer-term prospects for the country's debt-servicing ability appeared to remain sound.

However, in gauging the basic soundness of the Latin-American adjustment programmes, the banks and the IMF will eventually have to face the following question: Can a policy which requires relatively poor countries like Brazil, Mexico and Argentina to generate huge trade surpluses year after year until the end of the century, be described as a permanent and sustainable solution to the debt problem?

Between 1988 and 1992, Brazil's trade surpluses will have to average 4 per cent of GNP and Mexico's will average 7 per cent of GNP if they are to go on meeting their interest payments with little or no extra borrowing. For comparison, Japan's trade surplus in 1984 was less than 3 per cent of GNP.

If a downturn in world economic growth, or any upsurge in protectionism in the U.S. and other industrialised countries should coincide with a need in Latin-America to redirect more resources towards domestic consumption, the world could soon face another debt crisis.

Men and Matters

Treasury's ups and downs

After all the confusion of recent months, a Commons select committee has finally got the Treasury's definitive view of interest rate movements.

Chief Secretary Peter Rees ducked a question from the Treasury and Civil Service committee on why the Government was assuming that interest rates might now fall.

But John Odling-Smee, one of his macro-economic policy advisers, stepped boldly in to the breach: "Because they are already very high here and elsewhere and are so more likely to come down than go up," he said.

So, queried chairman Terence Higgins, forecasting was based on "what goes up must come down?" — That was just about the *size* of it, *Odling-Smee* agreed, adding that as a principle it had a lot to be said for it.

Thus, apparently, was born this week Kirchoff's Law of Interest Rates, translating the physicist's theory of currents—what *goes into an electric kettle* must come out—to the trickier problems of today's economy.

Playing away

Sir Trevor Holdsworth's distinguished career in business—he is chairman of GKN—can also be seen as the concert platform's loss.

While a schoolboy at Honson School, Bradford, Yorkshire, he showed such promise as a *pianist* that he *seriously* considered making music his career.

But they were stern times in the war-time 1940s. The young Holdsworth settled instead for the calmer waters of accountancy.

While the lure of the keyboard remained, he went on to become head of one of Britain's leading engineering companies. He contented himself by playing occasionally for charity concerts and company occasions.

He has had to wait until the age of 57 for his first big public appearance as a pianist.

In March he will play the Grieg Piano Concerto with the Royal Philharmonic Orchestra at the Festival Hall. His playing is said to be of almost professional concert quality.

That may sound like a concert hall gimmick, but it isn't. *The RPO invited Sir Trevor as* one of an occasional series of guest amateur artists.

GKN has now decided to turn the evening to the advantage of charity by underwriting it so that profits will go to the Samaritans.

Rock of ages

Whatever its future may be, Gibraltar is taking steps next week to preserve its heritage.

Hard on the heels of the closure of the Rock's naval dockyard and the opening of the frontier with Spain, a conference is to be held in London on plans to restore and preserve much of its 18th and 19th century architecture and military works.

The scheme is seen as a sensible means of improving Gibraltar's tourist attractions—now the main prop of the Rock's economy.

It could also be seen as a method of reinforcing British sovereignty, but the conference sponsors—SAVE Britain's Heritage, the National Army Museum and the Gibraltar Government—say "such a legacy must be preserved for posterity and shared with the rest of the world."

The British Government is giving its blessing to the scheme which has attracted support, too, from industrialists, forces' chiefs, museums, architects, historians and politicians.

Over-exposed

Spanish television viewers who sat down to watch the regular *Monday* showing three weeks ago of "Get Smart," a slapstick

"Well, the coffee and biscuits were nice, what did you expect — tea an dsympathy?"

U.S. series about the antics of a secret agent, had no idea that the real thing had been going on close to home that same afternoon.

The story behind the expulsion, revealed last week, of two American diplomats from Spain is unlikely to go down in history as one of the great moments of U.S. *intelligence*.

Despite a pact between the two Governments to keep silent about the incident—after all, they are Nato allies—Spanish officials have now confirmed their version of how they found the *spy suspects taking* photographs of the Government's Moncloa headquarters outside Madrid.

The two men, identified as Dennis Macmahan, a member of the U.S. embassy's political section, and John *Massey*, a civilian attached to the U.S. Torrejon air base, were spotted by security guards in the vicinity of the Prime Minister's offices, the officials say. Macmahan had been taking pictures with his camera.

When they were detained and challenged about their activity, the men, who were both carrying diplomatic passes, expressed an interest in photography and architecture.

It so happens that the Prime Minister's office facilities include a dark-room, where the film from the camera was promptly developed. This revealed six pictures, not of the nearby museums which won an architecture prize, but of the red and white communications tower which keeps Felipe Gonzalez in touch with his defence *chiefs*.

As a result, the U.S. got its diplomats back — but not the pictures.

Well drawn

Dr Duncan Davies has a bee in his bonnet about technical libraries. He thinks they should be paying a lot more attention to the storage and retrieval of pictorial matter.

The irrepressible Davies, former chief scientist and engineer at the Department of Trade and Industry, and before that ICI's research manager, retired to become a freelance scientist specialising in "crossing picket lines." This is not involving him in the miners' strike. Instead he is concentrating upon *tearing down what he sees* as unnatural barriers between technical folk.

His latest enthusiasm is for the ideogram, or pictorial representation of an idea—the kind you can make with video film techniques, or with graphics on a computer display.

Davies is convinced that the inscrutable Orientals were on to a good idea with their ideographic scrips. Clumsy as they may appear to a poet or novel writer they were, he thinks, far better for communicating the subtleties of a technical argument than letter text.

Observer

French technology

The smart card comes up trumps

By David Marsh in Paris

A PIECE of plastic—2 in by 3¼ in — holds the key to France's hopes of carving out leadership in a potentially lucrative segment of the world's information technology revolution.

The rectangle in question is the French-invented "smart card"—a credit card containing an in-built one-chip mircro-processor and memory which in effect allows the holder to slip a micro-computer into his wallet.

With the capacity to register electronically, process and control personal data, the card can be used in a variety of applications from cashless banking and retail transactions to making phone calls and storing individuals' health records.

And this week, after months of wrangling over financial and technical problems, the French banks are expected to decide to place the first large-scale order leeding eventually to a nationwide cashless banking system.

The smart card, with associated registering equipment and terminals in shops, banks and telephone booths, could provide French companies with FFr 5bn worth of domestic orders by 1988, according to the Government's Information Technology Development Agency.

On the export front, even bigger business is beckoning—in the shape of a growing battle to introduce smart card technology into the crucial U.S. market.

Mastercard, the U.S. based international credit card group, announced last Friday an order for 50,000 French smart cards made by Bull, the nationalised computer group, to test in experimental projects along with rival "chip" cards from Casio, the Japanese group.

An area where U.S. companies are lagging behind

Visa, the other big international credit card network, is also to study the French technology. And tests are being carried out by American Express.

Bull and French electronic equipment makers such as Crouzet, which has a half share in coinless smart card phone cabins being installed by the French Post Office, are in contact with other European companies about possible industrial alliances to spread the system through Europe.

Mr Russell Hogg, president of Mastercard, said in Paris last week that he was "convinced that the smart card is e valid technology." And, for once, it is an area where U.S. companies are relatively backward.

The Bull/Casio tests would be used, Mr Hogg said, to study consumer reaction and compare technical reliability, paving the way for possible agreements on standards.

"We can't have a European card that will be used in Europe, a Japanese one for Japan and an American card for the U.S." he said. "The aim is to have a unique piece of plastic for world consumers.

"The whole war is over standards," says one French banker involved in the smart card project. "It's like IBM in computers or the Japanese in video tape recorders—the company that is first with its products can force the pace."

The card is used for cashless shopping via electronic terminals, costing around FFr 10,000 to FFr 20,000 each, or with less sophisticated "authenticators," costing about FFr 500, which "read" the customer's personal code contained in the chip to verify the transaction.

Although the cards are relatively costly, the big advantage compared with other electronic shopping systems—such as the project just unveiled for the UK by British Telecom, IBM and the clearing banks—is that the smart card offers unparalleled security against fraud and unauthorised tapping of telecommunications lines.

Bull and the Post and Telecommunications Ministry see important applications eventually opening up in "armchair shopping." They hope consumers will be able to use the smart card, in association with France's expanding household videotex system, to carry out a variety of financial and retail errands without leaving home.

The smart card was invented in 1974 by M Roland Moreno, a French innovator. For most of the past decade it looked as though it would join the list of French-inspired technical ideas or processes which, for want of Gallic expertise, have been first developed industrially in the U.S., Japan or Britain.

French banks decided last year to unite in a common smart card standard. They have been running experimental cashless shopping projects around the country since 1982.

But, faced with the thorny question of financing the heavy investment initially required, even a few weeks ago leading bankers were pessimistic about the chances of starting a full-scale country-wide project.

Now, however, says M Louis-Noel Joly head of the information technology department at Société Générale, and one of the leading figures steering the banks' smart card efforts "things are beginning to advance."

A new inter-bank grouping set up at the end of last year to pool all the leading commercial banks, the Post Office and savings networks and the big co-operative institutions like the Credit Agricole farmers' bank should decide on Friday to launch four regional smart card projects. This would eventually involve up to 2.5m cards, as well as ancillary electronic equipment.

At the same time, the country's telecommunications authority, the DGT, is preparing next month to order a further batch—possibly 1m cards—for use in coinless phone booths, of which 15,000 are planned to be installed by the end of the year.

The Government in the last few crucial weeks has discreetly been pressing hard to try to co-ordinate policies at the DGT and the banks.

A FFr 300m low-interest credit from the Government's Industrial Modernisation Fund has been offered to help defray the cost of installing terminals. The direct overall burden will be borne—in proportions which are still to be worked out—by the banks, the retail profression and the DGT.

The smart card being inserted into the customer identity unit before registering a transaction

Customers, however, look likely to face higher charges for credit cards from the banks. Eventually, the banks stand to make large-scale savings by cutting paperwork and fraud associated with present cheque and credit card transactions.

In view of this, the retailing profession over the past few weeks has been forming a united front to try to lower proposed tariffs for cashless shopping transactions, claiming the banks have formed a cartel.

M Joly says that once the banks have decided to take the plunge, replacement of the nation's entire 11m cards will not be "complicated." Instead of the traditional magnetic stripes, the new cards will embody both stripes and chips, to be compatible with existing cash distributors and shop terminals.

The eventual aim at Bull is to build up to a nationwide smart card population of 16m within three years.

The company last year extended capacity at its modern smart card-making plant at Trappes near Paris to 1.2m e year, and says it can triple this in e few months. But in 1984 it produced only about 70,000 to 90,000 cards—mainly for small-scale use in France and abroad, both for payments and other applications.

Underlining the range of possible uses, the Monaco-based Saha medical group issues Bull cards to allow insured members to carry their health records on a chip as they travel round Europe. In Paris, 16,500 students have smart cards registering their academic files. Schoolchildren on the Loire will soon be given cards to record their vaccinations. And Bull is developing applications for identity controls to allow individual access to buildings, security installations and computer systems.

M Herve Nora, general manager of Bull's CP8 smart card division, says indications that the banks are at last moving represent an "optimistic sign." But hesitations over deciding their programmes "have lost us a year."

The only major public sector order so far has been for 200,000 pay-telephone cards, which have not yet been delivered. "All we are waiting for is orders," M Nora says.

A key reason for the banks' delay has been doubts over the price. Bull, which has invested an estimated FFr 250m in smart card development, says the present unit price of around Fr 65 for relatively small orders will eventually fall to FFr 30 as it expands production.

The banks would like the price to drop more quickly. This

The banks seem set eventually to make big savings

is one of the reasons why they are pressing for more French companies to join the ranks of suppliers.

Bull last year agreed with Philips of the Netherlands, which has spent FFr 100m on the project, to use the same standards in their smart card production. Flonic-Schlumberger produces less sophisticated memory cards principally for pay-phones. Thomson, which already produces card chips (although most are made by Motorola) as well as ancillary components for Bull, is, however, hovering in the wings waiting for the possibility to produce the cards itself—once the banks signal that real orders are ready to be picked up.

EEC farm policy

If the CAP fits, then Britain ought to wear it

By David Curry

WHICH way will Britain jump in the argument over reform of the EEC's Common Agricultural Policy (CAP)? Will we run true to form and charge into battle demanding fierce price cuts in support levels in the name of "efficiency" ready to resume our familiar stand of self-righteous isolation?

Or, with the bitter wisdom learned from last year's Community decision to impose milk quotas, will we finally come to terms with what most Continentals think the CAP was designed to be and ought to remain—a social policy which is specifically there to mitigate the impact of the laws of the market place?

For the foreseeable future the market place, aided and abetted by the EEC's budget crisis, is going to impose economic reform. This means that politicians will be increasingly preoccupied by the need to make sure that such reform does not rely on undiluted economic pressure to such an extent that it simply wipes out of existence a whole layer of small producers in disadvantaged or marginal areas.

It is this preoccupation which, when the crunch comes in successive sectors, is likely to ensure a majority in the Council of Ministers for interventionist measures to control the volume of output so as to reduce dependence on pure price-cutting.

Such worries about the social shape of agriculture are seen in Britain as evidence of Continental success in subverting an essentially economic policy for social goals—a sort of special pleading for the peasantry. Indeed, one of Britain's problems in negotiating her corner in Brussels has been the impression we give that we are not merely ready to accept the elimination of the marginal farmer, but positively seek it. This is interpreted as a repudiation of the role of the CAP as underpinning social and economic (and hence political) stability in the regions.

The crisis will impose new rules on the CAP whether ministers like it or not. These will include greater dependence on the market place and the acceptance that the main vehicle of post-war growth in agriculture—expansion of output—can go no further. This will translate into e permanent crisis of farm incomes with the highly borrowed (of any size) and the smaller producer in a high inflation economy perhaps the most vulnerable.

But before we go further into what will necessarily be a series of untidy, improvised, and occasionally arbitrary reform measures, the UK should have some idea of what it wants from the process apart from budgetary savings. And this means knowing what sort of agriculture it wants in the UK.

There is already a severe imbalance between the incomes

The impression that Britain positively seeks to eliminate the marginal farmer

of livestock and arable farmers thanks to the transfer of resources from the former to the latter brought about by the bias of support mechanisms in favour of cereals. Arable farming has spread across the country to the point where the EEC actually subsidises a grain store in Devon! In eastern England we are heading for prairie farms based on monoculture of cereals with one farmer per 2,000 acres.

This pattern cannot be defended on the grounds that it is essential to the economic life of the countryside: subsidising the rural bus service, rail link, village post office or school would be much more efficient if this were the aim. Outside these cereal areas many farmers are now locked into the marginal production of arable crops without having e plausible alternative given the pressure on dairy and beef production—a lower cereals price will not take them back into livestock farming.

To seek reform by prices pressure alone would make these tendencies worse. It would mean the disappearance of farmers and more amalgamation of land. It would provoke a further reduction of manpower and a determination by farmers to eke every last ear of corn out of the land to spread overheads over the maximum yield.

If Britain does not want this she must not merely be ready to discuss reform measures ancillary to price discipline in Brussels. She should also consider whether it is time to equip herself with some of the instruments to control the transfer of and access to agricultural land. Britain, after all, is one of the few countries which exercises no control over the transfer of land, has no criteria of "desirable" ownership, and make no provision to help young people get into farming.

Yet, when actual policy is analysed, it is difficult to escape the conclusion that at least the embryo of a social policy is struggling to emerge. The agonising business of allocating milk quotas identified the social choices posed by reform, and a choice was made in the policy of giving priority to small farmers in the allocation of extra quota released by producers quitting the sector. The policies for upland farmers—like the long British campaign to extend the limits of the less-favoured areas—also rest on social grounds. Perhaps, after all, the problem is finding a rhetoric for a social policy which does not jar with farming's self-image.

Yet when the reality is that farming is as dependent on public subsidy as ship-building, steel or the coal industry it is difficult to justify the failure to elaborate a social policy for the countryside because of fear of damaging the myth of sturdy agricultural independence. The need to pursue reform in the EEC and now the Government's own intention of cutting back the national farm budget should provide the imperative.
tive.

If, in working out such e policy, we discover that our problems are rather closer to those of the rest of the EEC than we have wished to admit we will be better placed to have our say in the debate on the reform of the CAP. And, we might find e better reason to defend the policy than to point proudly to the store-houses full of second-class wheat which represents our contribution to

The author is Conservative MEP for North-East Essex, former chairman of the European Parliament's Committee on Agriculture and vice-chairman of its Budgets Committee.

Letters to the Editor

Appropriate policies

From the Chief International Economist, Simon and Coates

Sir,—With the UK Budget only a few weeks away and important U.S. budget decisions likely between now and mid-May, the debate over eppropriate fiscal policies has been hotting-up. The proposition that a fiscal boost can raise employment and the real exchange rate of the expanding country is neither new, mysterious, eccentric nor without theoretical or empirical support. In 1980, for example, Professor James Tobin stated "substituting fiscal for monetary restraint is 'bad' for e country trying to defend its currency." Other international economists of distinction have supported all or parts of this view. In addition to ourselves, the Organisation for Economic Co-operation and Development secretariat, the Federal Reserve Board, the U.S. Council of Economics Advisers, and H.M. Treasury have provided empirical support for the proposition.

The more debatable aspect is what the "certain circumstances" are under which all this works. Perhaps the most important are (i) the accompanying monetary policy is not fully accommodative of the budget expansion (ii) the markets believe that it will not be accommodative (iii) international assets, while being highly substitutable, are not perfectly so but (iv) substitution between various domestic assets, e.g. bonds and money, is less preferred than substitution between same-type domestic and foreign assets, and (v) the depth, breadth and importance of a country's capital markets are not significantly less than its importance in international trade. America's recent experience suggests that (i) to (v) have all held, and held with declining inflation and interest rates. Eventually, either because some of (i) to (v) fail to hold or portfolio saturation of $ assets is reached, the dollar will fall, despite a large budget deficit because the above effects are of a short to medium-run nature.

Now, it is clearly the case that the UK or any individual EEC country is not the USA. If, however, the recent increase in real UK interest rates heralds a prospectively "tight" monetary policy and is so believed by financial market participants, than the case against fiscal expansion must surely hinge largely on a view that a small, open economy will reach trade balance constraints e lot faster than a large, not-so-open economy, and that gains to employment and the exchange rate from the fiscal boost will be swiftly offset. This may be so, but the theoretical case outlined above was originally built on a small, open economy model! Furthermore, in Britain's case, the share of our equity market in world capitalisation (at 7¼ per cent) is approximately equal to our share in world trade and, arguably, the UK has the world's third or fourth deepest and broadest fixed interest and banking markets. Trade flows are not likely to overwhelm capital flows under such circumstances. Again, it is a matter of degree and the length of "run." Even if an individual European country tends to have a higher import propensity than competitors this suggests only that the structure of any first-round fiscal expansion should be geared towards areas with low import content and then, possibly, use indirect taxation to stem the import effect of second round multipliers.

Against the background of a prospectively tight monetary policy, soaring unemployment and a long-term decline in the ratio of public sector debt to GNP (the UK's situation), further fiscal deflation does not seem to have much theoretical or empirical attraction, beyond a possible short-term "announcement effect," if there is a joint desire to boost jobs and stabilise the exchange rate. Paul Volcker recently urged European Governments to stimulate their economies and he's no inflationist. If Mr Lawson follows his advice, as opposed to that of the "hair-shirts," then he still has time to avoid going further down the high unemployment/low sterling route.

David Morrison
1 London Wall Buildings, EC2

Prospects for high tech

From the Chief Executive, Cotag International

Sir,—Christopher Lorenz (Lombard, February 14) is more gloomy than he ought to be about the prospects for new hi tech firms here in Cambridge and elsewhere. Management skills are not as rare as he suggests given an increasing number of entrepreneurial managers who have had excellent previous experience in large companies, consulting firms or business schools here or in the U.S. Indeed, increasing numbers of the major executive search firms are taking on assignments to move top class talent from big to small firms. In this they are strongly supported by most venture capitalists, both generally and in their drive to persuade the Government to liberalise share options and other incentives.

As for size, one of the central consequences of new technology in new organisations which are not prisoners of their own history, is that employee numbers are a less useful guide to business size. With a vision of a well defined market, a carefully designed business system and adequate financial resources, a 50-200 person organisation can establish e sustainable business on a world scale.

It remains to be seen how many of these firms will make the shift from a successful single business company to a multi-business company, which is the real driver of employee growth. But the jury is still out on this—the answer won't be clear much before 1990, USM optimism notwithstanding. Some of us however remain quietly confident.

Stuart M. Evans,
Cotag International.
Mercers Row, Cambridge.

Stress in the Revenue

From the General Secretary, Inland Revenue Staff Federation

Sir,—Michael Dixon (February 14) compares the recent work undertaken by the University of Manchester Institute of Science and Technology on stress in the Inland Revenue with the findings of the civil service medical advisers on the health of the civil service as e whole.

There are two major points Mr Dixon has omitted. The medical advisers' evidence on sick leave was drawn from the period 1977-1981 (and evidence for 1981 was distorted because of the heavy industrial action that year, particularly in the Revenue). The bulk of the cuts in the civil service, and more especially in the Revenue have been since 1981. Indeed, the MAS records only two years' reliable figures for the Inland Revenue, 1979 and 1980, and they show an increase in sick leave. The UMIST research was undertaken between June and December 1984, and can claim therefore not only to be more up to date, but to be exclusively within e period when heavy staff cuts have considerably increased individual work burdens and added to delay throughout the system.

Moreover, the UMIST research points out that high unemployment changes the traditional indicators of low morale and suggests that one effect of pressure in the short term may be a reported diminution of the incidence of sick leave for minor illnesses. Yesterday's buses cannot be driven by the driver who was off sick with 'flu, but yesterday's tax assessments are piled up ready and waiting with today's for Revenue staff who take sick leave.

One more thought is provoked by Mr Dixon's thesis that abolishing the jobs of "those employed to undo the work other people are employed to do" makes for a saner society. Might it not be equally true, and perhaps not only a saner but fairer society, if tax evasion were a less profitable business for the beneficiaries of the by now £12bn black economy?

Tony Christopher.
231 Vauxhall Bridge Road, SW1.

Financing major projects

From the Countertrade Director, Midland Bank Group, International Trade Services

Sir,—I was very interested to read Ian Rodger's excellent article (February 14) on the problems the world's major plant contractors face as a consequence of financial difficulties in the developing world. I would, however, disagree with his claim that ingenuity in financing, and skill at countertrade are becoming less important, and would strongly suggest that the financial arrangements involved in these contracts are even more important than hitherto has been the case.

The demand and the need for infrastructure projects in these countries remains considerable, both as a means of securing basic facilities that are taken for granted in industrialised countries, e.g. telecommunications, transport, health care etc, and to enable them to achieve a level of industrial development to support economic growth and reduce imports.

Clearly proven technical competence is a critical factor in determining whether an international contractor will be successful. Increasingly, however, as soft financial support becomes more difficult to obtain, success will also be dependent upon the contractor's ability to offer an attractive and innovative financing package. The skill in doing this will not only determine whether a project can proceed, but also who the successful contractor will be. Hence, ingenuity in financing, whether in the areas of multi-sourced project financing, forfeiting, leasing or countertrade, the subject of a comprehensive survey in your paper (February 6), is essential for success in this highly competitive market.

G. M. Nockles.
120, Cannon Street, EC4.

FINANCIAL TIMES
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Jonathan Carr in Frankfurt puzzles over the Bundesbank's latest report

Economic miracle gets complex

WEST GERMANS reading the latest Bundesbank monthly report, released today, must feel torn between pride and self-doubt.

On the one hand they are told the economy is pretty strong and getting stronger, with a record trade surplus – DM 54bn ($16.3bn) last year – and an inflation rate hovering at only just over 2 per cent.

On the other they are reminded that the D-Mark is weak, particularly against the U.S. dollar but also against the currencies of some European competitors.

In its report the central bank goes at least part of the way to explain the apparent contradiction. On the positive side it firmly ascribes the sharp jump in the jobless figure last month – to 2.6m – to the cold weather, not to the onset of a general economic downturn.

It notes that orders to industry are buoyant, although the vehicle sector is suffering from the national debate over environmental protection. It also underlines that West Germany's trading success is not due simply to currency-induced price benefits.

The Bundesbank points out that while German exports to the U.S. rose no less than one third in the last quarter of 1984 – against the same period of 1983 – they were also up about 30 per cent to the fast developing market of South-east Asia and 20 per cent to Latin America.

All that, combined with a current account DM 17.9bn in surplus last year and likely to be still further in the black this year, would once have brought an irresistible rise in the D-Mark on foreign exchange markets. Since the end of last September alone, however, the D-Mark has lost 6 per cent of its value against the dollar and 0.5 per cent against the partner currencies in the European Monetary System (EMS).

The Bundesbank's figures on capital flows in the last quarter of 1984 help to show why. Despite all the domestic economic advance during that period West Germany had a net outflow of DM 21.9bn in funds – compared with an outflow of only DM 8.8bn in the previous quarter and one of DM 8.7bn in October-December 1983.

Much of that outflow (DM 17.1bn) was short-term funds. Even the net long-term capital outflow – for portfolio investment especially in the U.S., bank credits and the like – was up to DM 4.8bn, however, compared with a net inflow of DM 1bn in the same quarter of 1983.

The net outflow would have been much more marked had not Bonn agreed in the summer to abolish the "coupon tax" foreigners had to pay on the interest they received from investing in German bonds.

That action helped boost long-term capital inflows to Germany to DM 11.1bn in the last quarter of 1984, partly compensating for the DM 15.9bn which Germans sent abroad in the same period.

It would be wrong to say the increased outflow was simply a result of a flight of funds to higher interest rates in the U.S. Earlier in 1984 dollar interest rates had been higher still, but the outflows of capital from Germany were not as marked.

It is clear that during the autumn some investors who had previously been confident of a strengthening D-Mark – compensating for low German interest rates – concluded that such a boost was not in the offing after all.

The resulting outflows weakened the D-Mark not just against the dollar but against other EMS currencies.

Against that background it is also clear why the Bundesbank is not in a tearing hurry to liberalise the West German capital markets.

The central bank wants to see more open markets in the long run, and a debate is in progress about what steps might be taken. Last year's abolition of "coupon tax" encouraged capital inflows to Germany, but new liberalisation steps might have the reverse effect. As long as the capital account is so deeply in the red that is a move the Germans can ill afford.

Opposition leaders jailed in South Africa

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN police yesterday detained almost the entire leadership of the United Democratic Front (UDF), the most effective legal, extra-parliamentary opposition to the country's white Government.

Six of the 13 people detained are to face charges of high treason. The homes and offices of UDF members and affiliates were searched by security police who confiscated documents and records.

The arrests stand in contrast to the conciliatory statements recently made by President Pieter W. Botha. They underline the fact that although reform of the apartheid system is possible, the Government is determined that it will be at a rate and in a manner carefully chosen by itself.

In the pre-dawn raids around Johannesburg, police arrested Mrs Albertina Sisulu, president of the UDF, Mr Cassim Saloojee, UDF treasurer, Rev Frank Chikane, UDF's Transvaal vice-president, Mr Sam Kikine, a leading trade unionist, Prof Ishmail Mohamed, the Transvaal leader of the Anti-President's Council Committee (APCC) and Mr Isaac Ngcobo, a leading black opposition activist.

At least three more people were killed in rioting at the squatter town of Crossroads near Cape Town as police battled with black youths trying to prevent the demolition of the shanty town and relocation of the 65,000 residents, Reuters reports. On Monday six blacks were killed in clashes with police.

They are being sent to Natal to face, with eight other UDF leaders held since last year, charges of high treason. The trial, expected to last for more than a year, promises to become the largest showcase trial since the treason trials of 1963-64 which led to the jailing for life of leaders of the African National Congress (ANC).

Ironically, the latest arrests follow conditional offers of release made only two weeks ago by President Botha to Mr Nelson Mandela, the ANC leader, and his imprisoned associates. The offer was rejected by the black nationalist leader.

Seven of the 13 people detained yesterday are being held for questioning and are likely to be called to give evidence when the trial opens in the Pietermaritzburg Supreme Court on March 29.

The simplest interpretation of the latest arrests is that they represent a reversal of the Government's increasingly conciliatory strategies.

In recent weeks, President Botha has publicly offered blacks the opportunity to participate in informal discussions on South Africa's future. The offer was a tacit admission that the urban blacks who form the most vocally political sector in the black community are dissatisfied with the limited political channels open to them. The UDF has condemned the offer as a meaningless ploy.

Alternatively, the arrests could be seen as indicating to President Botha's right-wing critics that reform will be strictly implemented on white terms.

The ruling National Party sees the UDF as an obstacle to change defined on purely white terms. Last year, the UDF successfully orchestrated boycotts of elections for the country's first Indian and Coloured (the official term for people of mixed race) parliaments.

The elections were billed as showcases for government intentions to liberalise the country's apartheid laws. The boycotts indicated, however, that Indians and Coloureds did not believe that new constitutional dispensation was relevant.

Government anger with the UDF increased sharply after the election boycotts. Ministers have accused the UDF of being a front for the proscribed ANC and, by implication, that it is an organisation dedicated to the violent overthrow of the state.

By bringing the UDF leadership to trial, the Government expect to prove that the organisation is an ANC front and that anyone who retains membership of the UDF could be tarred with the same revolutionary brush.

The aim of the treason trial is, therefore, believed to be to break the UDF, which would mean that the Government would then have to deal only with smaller and weaker organisations.

Olivetti buys stake in Acorn

Continued from Page 1

record of taking minority stakes in fast-growing and innovative high technology companies. The Italian group has investments in about 30 companies, mainly in the U.S., and more recently it has been investing in European and Japanese concerns.

Olivetti is 25 per cent-owned by American Telephone and Telegraph, the U.S. telecommunications group. The Acorn deal is the second major investment in the past fortnight for Sig Carlo de Benedetti, Olivetti's chairman. He recently bought a majority control in Buitoni, the troubled pasta and chocolates group, through his family holding company.

Olivetti's main interest in Acorn is thought to be in its large and well-regarded research and development team.

Olivetti's main high technology investment*

Company	Business	Holding (%)
Docutel (U.S.)	bank automation	46.2
Syntrex (U.S.)	word processing	18.7
FileNet (U.S.)	optical disc	12.1
Stratus (U.S.)	fault-tolerant comp	10.1
Linear Tech (U.S.)	linear circuits	5.9
Dixy (Japan)	flat plasma displays	20.0
Sphynx (UK)	software	25.0
TABS (UK)	software	32.0
Editrice (Italy)	software	n/a

* Olivetti has a minority holding in about 30 high companies, mainly in the U.S.

UK Government and coal board seek formula for strike talks

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

TOP LEVEL talks were taking place in London late last night in an effort to agree on a crucial compromise in the wording of National Coal Board (NCB) proposals to end the 50-week-old UK pit strike.

Mr Peter Walker, Energy Secretary, was meeting senior NCB officials and Mr Norman Willis, general secretary of the Trades Union Congress (TUC).

Mr Walker believes that the NCB should amend the wording in its document to allow it and the mining unions a timetable in which to negotiate modifications to the colliery review procedure – the mechanism under which pits are closed and which goes to the root of the strike.

The present wording says that pits will go through existing procedures until a new one is agreed.

An opponent of Mr Walker's line is Mr Ian MacGregor, the NCB chairman who returned to the UK yesterday after visiting his wife who is ill in the U.S.

His initial view was that the NCB's proposals must stand, but he later conceded that a four-week period might be allowed after the present dispute ends in which a new procedure could be agreed.

Mr Walker met Mr MacGregor for three hours last night then called in the TUC for further talks at 10.30pm. No statement was issued after these talks.

Seven senior TUC leaders who have been monitoring the dispute, yesterday met Mrs Margaret Thatcher, the Prime Minister, and

Mr Peter Walker

discussed ways to bring it to an end.

The talks marked the first contact between Mrs Thatcher and the TUC since the clash a year ago between the Government and unions over the ban on union membership at the communications centre at Cheltenham, Gloucestershire.

Yesterday's meeting pointed towards an improved relationship between the Government and the unions once the strike is settled.

The coal board's document, if cleared by the TUC seven, will go to the NUM executive which meets in London today. If agreed by the executive as a basis for negotiations – although it will be made clear that it is a non-negotiable, draft agreement – a national delegate conference will be asked to endorse the executive's decision.

It is thought possible, however that Mr Arthur Scargill, the NUM president, who this week made clear his differences with the rest of the executive on the need to offer compromises to the NCB, will also oppose further concessions and many seek to sway delegates in his direction. In the past the delegate conference has been a militant body.

After the meeting with Mrs Thatcher, the TUC leaders said they believed her attitude contrasted with her coolness or even hostility at previous meetings. Mrs Thatcher was careful to express her thanks to Mr Willis and his colleagues for their efforts in trying to end the dispute.

The precise message they took from the meeting was that the Prime Minister would support efforts to modify the NCB's proposals to make them acceptable at least to Nacods, the pit supervisors' union, and if possible to the majority on the NUM executive as well.

Optimism was high among senior TUC leaders last night that talks could be under way in the next few days – although it was conceded that many barriers remained.

The NCB said last night that 378 "new faces" returned to work yesterday, one less than last Tuesday.

German snub for Scargill, Page 11

Stauffer Chemical agrees to $1.25bn takeover

By Paul Taylor in New York

CHESEBROUGH-POND'S, the diversified U.S. manufacturing group, yesterday agreed to acquire Stauffer Chemical, the industrial and special chemicals group, in a deal that the two companies valued at $1.25bn.

The acquisition, through a $28-share cash tender offer, was unanimously approved by both boards and appears to end speculation about the future of Stauffer, whose earnings have plunged in recent years.

Under the terms of the deal, which is subject to acceptance by holders of at least 50 per cent of Stauffer's 43.5m outstanding shares, Chesebrough-Pond's has been granted an option to purchase about 8m newly-issued Stauffer shares.

The merger announcement came yesterday after the two companies requested a halt in trading their stocks, adding to speculation on Wall Street which at one stage had focused on the possibility of a European buyer for Stauffer.

In off-floor trading, Stauffer's stock advanced to $27⅝ after the merger announcement, having been suspended at $21¾, while Chesebrough-Pond's shares were changing hands at around $36, down from $37⅝ ahead of the suspension. The tender offer price represents a premium over Stauffer's book value of about $22 a share and is broadly in line with market expectations.

If completed, the deal will create a new conglomerate with annual sales of about $3.3bn.

Stauffer, which reported a net profit of $25m on sales of $1.5bn in its fiscal year ending September 30, has recently been struggling to regain its earnings momentum, having seen profits fall from a peak of $150m in 1981.

Recently the Westport, Connecticut-based company which last month reported a $3.2m loss for its fiscal first quarter, has suffered from declining domestic and international pesticide sales and delays in finalising a big sales contract with the Soviet Union.

The merger represents a further major diversification for Chesebrough-Pond's, which manufactures a wide variety of products ranging from Vaseline to spaghetti sauce and childrens' clothing to hospital supplies. Last year the company, which is also based in Connecticut, acquired Polymer, a plastics producer, from Mr Carl Icahn, the Wall Street investor.

In 1983 Chesebrough-Pond's reported net earnings of $127.9m on sales of $1.7bn. Wall Street is expecting the company to report 1984 net earnings of about $125m on sales of $1.84bn.

Deadlock in EEC entry talks

Continued from Page 1

Sr Moran said his Government was prepared to wait to join the Community if necessary to obtain the right terms.

"There is a limit to the concessions Spain can make to enter the Community," he said. "The points of difference are formidable."

Brussels officials warned that the details must be resolved by the heads of government summit next month if the planned enlargement date of next January 1, is to be kept.

That is also the date before which Herr Genscher refuses to agree on an increase in the contribution rate for member states, despite a forecast budget shortfall, including the British rebate, of more than Ecu 3bn in 1985.

Herr Genscher said the only acceptable plan was for a once-only inter-government agreement to finance the spending gap, divided into two parts – one for the actual budget shortfall, and one for the British rebate.

Mr Leo Tindemans, the Belgian Foreign Minister, gave a warning, however, that it might prove impossible to get the British part of the deal approved by the Belgian parliament, a concern shared by some other delegations.

The alternative Italian proposal does not require the British rebate payment to be directly approved by parliament, except as part of an overall decision to increase payments into the EEC budget from 1986.

Mr Malcolm Rifkind, British Minister of State at the Foreign Office, said the commitment of the Ten to the payment of the British rebate was not in question, but only the method of payment.

THE LEX COLUMN

Italian job for Acorn

It would be hard to think of a more logical rescuer of Acorn Computer than Olivetti. Even if the Italian company's top management has recently allowed its attention to wander from office electronics into the problems of the spaghetti industry, the chance to pick up effective control of Acorn for about £15m must have seemed far too good to miss.

The simplest way for Olivetti to buy just under 50 per cent of Acorn would be for Acorn to issue Olivetti with the remainder of its authorised capital – about 86m shares at something like 17p per share.

This would enable Olivetti to plug the sort of working capital gap that Acorn appears to have been troubled by – although it is hard to be certain about that, given the success of Acorn's financial advisers, Close Brothers, in living up to their name by keeping details of the company's problems under cover.

At first sight the position of Acorn shareholders may seem unenviable, since the apparent price does not pretend to estimate the company's long-term value as a soundly-financed satellite of Olivetti, but dilution is clearly preferable to liquidation, and Olivetti has a long string of holdings in small technology enterprises to show that life in its orbit can be tolerable for companies quite similar to Acorn.

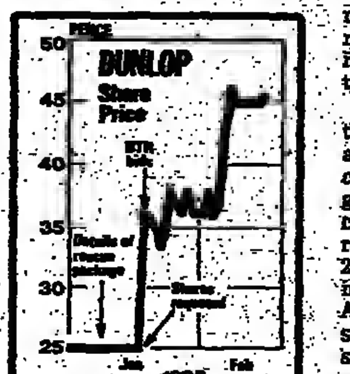
If Acorn's forthcoming business products are up to scratch, the benefit of Olivetti's marketing style and distributive muscle could be very marked. If not, Olivetti's investment would be decently underpinned by the cash flow from the remaining years of the BBC contract – once stocks of the Electron have been fully discharged.

BTR/Dunlop

Scarcely a day goes by without a new – and generally unwelcome – twist being introduced to the BTR/Dunlop takeover story. Yesterday it was Dunlop's turn to issue a statement, the most significant element of which was a promise to revise last month's reconstruction proposals.

Under the fresh terms it looks as if Dunlop shareholders will be offered all the new equity at a higher price, with the banks and institutions standing by as joint underwriters.

This is an attractive idea in principle, since it ensures that the decision about Dunlop's future ownership is vested exclusively with the group's existing shareholders, but it hardly squares with Dunlop's earlier pronouncement that the new capital required would be far beyond the amount that existing shareholders could be expected to provide.



The amount of capital required has apparently not changed. It is simply that fewer shares will now be distributed at a higher price.

This, too, is inconsistent with Dunlop's earlier insistence that 14p was the appropriate price at which to issue new equity. The fact that BTR is now bidding should not make the original figure any more or less appropriate. The market price, after all, is reflecting assumptions about Dunlop's value to BTR, not to its existing shareholders.

Dunlop could only justify a higher price for its new equity by reference to fresh information on earnings or asset values, but since all such information is being withheld, for what look like tactical reasons, yesterday's vague statement can only be interpreted as plain cussedness on Dunlop's part. In this takeover battle cussedness is nothing new.

Elders IXL

Elders IXL chose a bad time to announce its interim results. On a day when the Australian dollar gained a full quotation on the foreign exchanges hit lists, Elders' borrowings of A$89m weighed more heavily than its 23 per cent increase in net income.

Elders took the precaution of proclaiming that drawings on last October's $500m Euronote were hedged in Australian dollar terms, but yesterday's anxieties about domestic interest rates did not encourage belief that Elders would reach its magic level of 100 per cent gearing by the end of 1985.

Last year's audacious takeover of the CUB brewery business, which also happened to be Elders' 49 per cent parent, left the combined group in hock even if it brought considerable tax advantages and realisable assets. Net debt stood at 2.5 times shareholders' funds (treating the convertible bonds as debt). Although A$140m was raised in the six months to December, disposal of assets appears to be going more slowly than planned. However, with the sale of the Elders' stake in the Kidston gold mine, the group could have difficulty bringing interest payments down below A$48m in the second half.

It is this that has tended to dampen Australian sentiment for a company which has shown tremendous growth. With Australian industrial shares at a peak, Elders's equity is trading on a multiple of under three times prospective earnings. It seems that the financial community would prefer Mr John Elliott to sit on his hands and get his balance sheet in order before branching out further into trading and financial services in the Pacific.

Bulldog index

Practitioners in the bulldog bond market readily admit that the pricing of the domestic sterling issues for non-UK borrowers remains as much a matter of art as of science. Theoretically, managers pick on a representative gilt-edged stock – generally the 13½s of 2004-8 – and indicate a spread by reference to it; the success of an issue none the less depends heavily on finding out what sort of stock the lending institutions are short of.

Since these market opportunities tend to lurk at somewhat longer maturities than the reference gilt would suggest, there is probably a place for another measure of the appropriate yield for new bulldogs. Since the market has now quite a reasonable population of issues, in aggregate worth £2bn or so, it may be worth trying to price bulldogs against each other. That is what Greenwell's new bulldog index aims to achieve, and despite the wide spectrum of credit risks included in it – ranging from Pemex to the European Investment Bank – it may well provide a useful benchmark.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	11	52	Dubrovnik	S	0	32	Malaga	C	15	59	Salzburg	C	-6	21
Akrotiri	F	16	61	Faro	S	15	59	Malta	F	17	63	Seoul	F	2	36
Algiers	-	-	-	Florence	S	5	41	Manila	S	31	88	Singapore	F	31	88
Amsterdam	S	-1	30	Frankfurt	S	-5	23	Miami	S	23	73	Stockholm	S	-13	9
Athens	C	6	43	Funchal	F	15	59	Milan	S	3	37	Strasbourg	S	-4	25
Bahrain	S	18	64	Geneva	C	-6	21	Moscow	S	-12	10	Sydney	R	18	64
Bangkok	S	33	91	Gibraltar	F	15	58	Munich	S	-8	18	Taipei	C	17	63
Barcelona	Dr	9	48	Guernsey	S	2	36	Nairobi	F	24	75	Tangier	F	16	61
Beirut	S	22	72	Helsinki	S	-9	15	Naples	-	-	-	Tehran	-	-	-
Belgrade	F	-5	23	H. Kong	C	16	61	New Delhi	S	24	75	Tel Aviv	C	28	82
Berlin	S	-3	27	Innsbruck	S	-6	21	New York	S	9	48	Tenerife	F	18	64
Biarritz	S	6	48	Inverness	C	7	45	Nice	C	7	45	Tokyo	R	5	41
Blackpool	F	1	34	Istanbul	F	-3	27	Oporto	S	13	55	Toronto	C	-2	28
Bordeaux	-	-	-	Jersey	S	2	36	Oslo	S	-16	3	Tunis	F	15	59
Brussels	S	-2	28	Jo'burg	C	30	86	Paris	S	-1	30	Valencia	-	-	-
Budapest	F	-4	25	Las Palmas	F	18	64	Prague	S	-6	21	Venice	S	1	34
B. Aires	C	30	86	Lima	S	26	79	Reykjavik	Sn	1	34	Vienna	S	-4	25
Cairo	S	27	81	Lisbon	S	12	54	Rio de J'o	S	39	102	Warsaw	Sn	-9	16
Cape Town	-	-	-	Locarno	F	2	36	Rome	S	8	46	Zurich	S	-6	21
Caracas	C	26	79	London	S	2	36								
Casablanca	-	-	-	Los Angeles	S	22	72								
Copenhagen	S	-5	23	Luxembourg	S	-4	25								
Corfu	S	8	48	Madrid	C	10	50								
Dublin	R	7	45	Majorca	S	11	52								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

U.S. Bhopal suit urged

Continued from Page 1

The investigators claim the measures taken by Union Carbide to check gas leaks were highly inadequate and that these safety measures were not fully operational on the night in question.

Terry Dodsworth in New York adds: Union Carbide said yesterday it believed a negotiated settlement with the Indian Government covering all the victims of the Bhopal disaster was a better solution than litigation.

It said that it did not think the U.S. was the "proper place" for the Indian authorities to take legal action.

Union Carbide is believed to have been involved in behind-the-scenes discussions to try to persuade the Indian Government to reach an agreement to enable victims of the disaster to receive aid from a central organisation.

If the issue were to come to court, it is expected that the chemicals group would try to have the case removed from the U.S. to India.

The company may well give an indication of how it intends to tackle the legal issue when civil damages actions come to court in New York. Pre-trial hearings are expected to begin next month into some 46 suits that have been consolidated into a single proceeding.

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Khoo steps up bid for Wheelock Marden

By David Dodwell in Hong Kong

THE CONTEST for control of Wheelock Marden, the Hong Kong trading group, intensified yesterday when Singapore-based financier Tan Sri Khoo Teck Puat made an improved cash offer valuing the company at just under HK$2.37bn ($278m).

Using Falwyn, his Hong Kong-based shell company, Tan Sri Khoo has offered HK$ 7.00 for Wheelock's "A" shares, and 70 cents for its "B" shares.

Wheelock, founded in Shanghai in 1932, is the weakest of Hong Kong's old-established trading companies. In recent years, its main interests have been in property and shipping.

A decade-long recession in the world shipping market, coupled with a property crash in Hong Kong two years ago, have effectively crippled the company, making it one of the territory's most vulnerable takeover targets.

The new bid, announced 10 minutes before the end of stock market trading in Hong Kong ahead of a five-day break for Chinese New Year festivities, is a 6 per cent improvement on a weekend offer of HK$ 6.60 and 66 per cent from Sir Y. K. Pao's Hong Kong Kowloon Wharf and Godown Company.

It compares with Falwyn's opening salvo last Thursday of HK$ 6.00 per "A" share, and 60 cents per "B" share.

Sir Y.K. has admitted to controlling shares amounting to 34 per cent of the voting rights in Wheelock, while N.M. Rothschild, financial advisers to Tan Sri Khoo, have declared an interest of 24 per cent. A further 15 per cent is thought to be locked into Wheelock subsidiaries, particularly Allied Investors.

East Asia Warburg, acting as financial adviser to the Wheelock board, yesterday called on shareholders not to sell out too early.

Background, Page 22

Phibro-Salomon in loss after oil stake write-off

BY PAUL TAYLOR IN NEW YORK

PHIBRO-SALOMON, the New York-based commodities and investment banking group, suffered lower operating earnings in both the final quarter and full year, resulting in a fourth-quarter net loss and sharply reduced full-year net earnings.

The slump in net profits, which came despite record earnings last year from Salomon Brothers, the Wall Street firm, mainly reflects special charges related to a write-off of the group's Beaufort Sea oil interests and the reorganisation of Philipp Brothers' non-oil commodity activities, together with reduced earnings from commodities trading.

In the final quarter, the group, which has been undergoing a reorganisation after the resignation last October of Mr David Tendler, chief executive of Philipp Brothers and chairman of Phibro-Salomon's executive committee, reported operating net income of $94m or 65 cents a share, compared with $129m or 91 cents a share in the 1983 quarter.

However, after special charges of $224m ($400m or $1.55 a share before tax benefits) – including the write-off of the group's entire $307m investment in the Beaufort Sea – the group reported a net loss of $130m or 90 cents a share in the final quarter. That compares with net earnings of $122m or 86 cents a share in the 1983 period after special charges totalling $7m or $36m before tax benefits. Revenues in the final quarter fell by 8.2 per cent to $7.9bn from $8.6bn.

For the full year, Phibro-Salomon reported net operating earnings of $436m or $3.03 a share compared with $477m or $4.30 a share. After special charges, net income fell to $212m or $1.48 a share compared with $470m or $3.35 in 1983 on revenues that fell to $28.9bn from $29.7bn.

Mr John Gutfreund, chairman and chief executive, said the Salomon Brothers unit sustained its momentum and achieved record results in 1984 while the profitability of many of Philipp Brothers' commodities businesses declined because of a difficult worldwide economic environment.

Last year Salomon Brothers earned $557m before taxes, compared to $463m in 1983, while Philipp Brothers' pre-tax profits totalled $258m before $93m in special charges, compared with $347m in 1983.

Mr Gutfreund said, "The special charges in connection with the Beaufort Sea write-off and the Philipp Brothers reorganisation represent an investment in the future in the sense that it allows the company to achieve cost savings and to apply capital previously tied up in non-productive assets to other areas of our business that offer greater returns."

Buy-out plan for National Can

By Terry Dodsworth in New York

NATIONAL CAN, the third largest U.S. packaging group, has launched a $216m buy-out plan for just over 50 per cent of the company using a newly created Employee Stock Ownership Plan (Esop).

The move follows similar usage of an Esop in the controversial battle for control of Phillips Petroleum, the large Oklahoma-based oil group. Phillips is trying to avoid a hostile takeover by using an employee trust fund to acquire a controlling block of the company's shares.

In National Can's case, the decision to employ an Esop has come only after the collapse of a bid from NVF, a company run by Mr Victor Posner, the Miami investor.

NVF had been proposing a buy-out involving some National Can directors at $40 a share, but the proposal fell through this month when Mr Posner failed to raise the finance for the offer. National Can said yesterday that it was now suing the financier in the Delaware courts alleging violations of federal securities laws and threatened breaches of fiduciary duties.

The offer from the company's Esop is also priced at $40 a share and is designed, the company says, to give stockholders the chance to receive the same amount of cash as would have been available from the NVF bid. A group of banks led by the First National Bank of Chicago is to provide $480m to fund the takeover, while reducing debt and providing additional working capital.

The company added that the Esop offer was not meant to deter a third party bid at a price in excess of $40 a share.

Separately, National Can announced its 1984 results yesterday, showing a sharp increase in earnings from $22m, or $2.13 a share, to $43m, or $4.25 a share. Sales for the year rose to $1.9bn from $1.8bn.

Intel to lay off 900 and slow down output

BY LOUISE KEHOE IN SAN FRANCISCO

INTEL, the Silicon Valley semiconductor manufacturer, will lay off 900 U.S. workers this week, closing two small plants in California and cutting the workforce at operations in Oregon and Arizona. The company will also put two of its main chip production plants on a four-day work week for 15 weeks.

The lay-offs, which represent about 3.5 per cent of the workforce, are the first at Intel since 1974. "For the past 10 years we have been able to avoid lay-offs when we realigned operations because we were able to place excess people into other operations," said Dr Gordon Moore, Intel chairman.

"Given the state of our business at present, however, there is no prospect of absorbing 900 more people in a reasonable period of time."

In the past, Intel has gone to extreme lengths to avoid lay-offs. In 1981–82 the company asked its professional staff to work extra hours without pay to accelerate the company's product development programmes. Then in 1983 Intel instituted pay cuts.

Now circumstances are more severe, said Dr Moore. Intel's move to cut production in its wafer fabrication plants reflects a more pessimistic view of the semiconductor market than most analysts have taken. Recently, industry leaders have predicted a strong improvement in sales for the second half of 1985.

"There has been a lot of wishful thinking on how soon the turn-up was going to take place."

Like other U.S. chip makers, Intel is suffering from a protracted slump in orders. Already, Texas Instruments and Zilog have reduced their workforces and National Semiconductor is in the middle of a two-week shutdown.

Intel operations affected by the lay-offs include the company's systems manufacturing division, which makes microcomputers. Plants to be closed are a chip assembly plant and a small military chip testing operation. Intel had planned to open a highly automated assembly and test plant in Arizona in the second half of this year. Those plans have now been delayed.

Intel is 22 per cent owned by IBM. Ironically, the success of IBM's latest personal computer has much to do with Intel's problems. The IBM PC AT, which uses one of Intel's latest microprocessor chips, has "sent a shock wave through the industry," Dr Moore said recently.

He explained that high-volume orders for Intel's standard 8086 microprocessor had slowed down, while orders for the new chip were only slowly creeping up. Intel's own systems sales compete with those of IBM's personal computers.

Deere falls back into loss

BY WILLIAM HALL IN NEW YORK

DEERE, the biggest manufacturer of farm equipment in the world, has plunged back into the red in its first quarter. It also warned that it expected operating results to remain under "considerable pressure" because of the depression in the farm business.

In the three months to January 31, it lost $28.2m, compared with a net profit of $2m in the same period last year. Sales in the latest three months fell 14 per cent to $763m.

The company had given a warning earlier this month that it would report a first-quarter loss. It said that in addition to the usual seasonally low volume, operating results were further depressed by low demand and the cost of continuing sales incentive programmes.

A 51-day suspension of operations at the large Illinois combine harvester plant and continuing low production of tractors, both aimed at reducing dealers' inventories, contributed to low sales and production.

Deere said its results for the latest quarter and the same period last year benefitted from the planned reduction of inventories, valued on a last-in-first-out basis.

Abitibi-Price profits up sharply in year

BY BERNARO SIMON IN TORONTO

ABITIBI-PRICE of Canada, the world's largest newsprint producer, almost doubled net earnings last year to C$70.1m (U.S.$52.7m) or C$2.97 a share, from C$38.0m, or C$1.44 a share. The 1984 figures include an extraordinary charge of C$2.2m, reflecting losses from the sale of two plants.

Sales rose by 29 per cent last year to C$2.1bn and operating income more than doubled from C$42.4m to C$110.9m. Tax provisions rose sharply from less than C$1m to C$30.2m.

Mr Robert Gimlin, chairman, ascribed the sharp improvement in earnings to increased sales volumes of newsprint, improved contributions from the group's fine and groundwood papers divisions and a curtailment of cost increases. The weaker Canadian dollar improved returns on products sold in U.S. dollars.

Mr Gimlin said that sales volumes were likely to rise further this year. Profits would be boosted by recent acquisitions and plant modernisation.

Abitibi plans to raise newsprint prices by 8.5 per cent in U.S. dollar terms in April.

The declining competitiveness of Canadian newsprint producers in recent years has prompted Abitibi to expand into "non-traditional" areas.

Advance for Firestone in first quarter

By Our Financial Staff

FIRESTONE Tire and Rubber, the second largest U.S. tyre-maker, has started its current fiscal year on a brighter note with first-quarter earnings up from $11m to $17m despite a decline in sales from $936m to $903m. Earnings per share amounted to 39 cents, against 23 cents.

The previous year's first-quarter results excluded income of $4m or 9 cents a share from discontinued operations and extraordinary credits of $8m or 12 cents a share.

In December, the group disclosed a drop in fourth-quarter net earnings from continuing operations from $23m or 48 cents a share to $12m or 28 cents.

Novo plans insulin plant in Canada

BY OUR TORONTO CORRESPONDENT

NOVO INDUSTRI, the Danish insulin manufacturer, is to build a plant near Toronto with sufficient capacity to supply the entire Canadian market, with surplus production available for export.

The company has bought a 19-acre site in the dormitory town of Brampton. Dr John Clement, general manager of Novo's Canadian subsidiary, said the site would be developed in several phases at a cost of more than C$10m ($7.5m).

Novo, the world's second largest insulin supplier, at present accounts for the major share of the Canadian insulin market and about a quarter of total U.S. sales. There are about 2.2m insulin-dependent diabetics in the U.S. and Canada, each requiring roughly one vial of the drug a month.

Novo has no production facilities in the U.S. at present.

Company Notices

Businesses for Sale

INTL. COMPANIES & FINANCE

Elders lifts first-half earnings by 21%

By Lachlan Drummond in Sydney

ELDERS IXL, the brewing, finance, rural services, and international trading group, achieved net earnings of A$44.1m (U.S.$32.2m) for the six months to December, 21 per cent higher than the previous first half.

The results include the Carlton and United brewing group acquired in December 1983, but the larger part of its contribution has been accounted for by the cost of acquiring the brewery as interest charges expanded from A$39.3m to A$89.2m.

The company has released A$410m through a series of asset disposals since the CUB acquisition and directors expect the interest bill to be lower in the closing six months.

The latest result from Elders is struck after tax of only A$8.2m against A$8m and depreciation of A$24.8m compared with A$11m. Turnover was 36 per cent higher at A$3.28bn compared with A$2.41bn.

The interim dividend is up from a bonus adjusted 8 cents a share to 10 cents a share.

Automotive groups show profit gains

By Our Sydney Correspondent

TWO AUSTRALIAN automotive products groups, Repco Corporation and Borg-Warner (Australia), have reported improved earnings.

Repco turned in first-half net earnings 19 per cent ahead from A$14m to A$16.74m (U.S.$12.3m). This is below market estimates and reflects a return to losses for its U.S. operations, a reversal for part of its hardware retailing division, and a loss of output and profits from an upgradeing of production facilities.

Borg-Warner, meanwhile, stepped up earnings by 13 per cent from A$13.6m to A$15.34m for the year to December despite returns despite returns from its South African business being savaged by the collapse of the rand.

Overall Borg turnover was up 6 per cent to A$254.8m as its automotive interests in Australia enjoyed stronger demand, but continued pressure on margins, for its drive line components. Its industrial products interests continued to weather tough conditions.

The dividend total is up from 14.5 cents to 16 cents with a final of 7.5 cents.

At Repco, turnover was 15 per cent higher at A$604m and earnings were after tax of A$11m ($6.54m). The interim dividend is unchanged at 5 cents a share.

Losses for Japanese oil sector

BY JUREK MARTIN IN TOKYO

THE WEAKNESS of the yen against the dollar could leave the Japanese oil industry with combined losses of Y20bn (U.S.$76.9m) in the current half year, ending March 31, according to a leading Japanese research institute.

A previous estimate by the Wako Research Institute of Economics, predicated on a much stronger yen, was that the industry could collectively earn as much as Y61bn in the current period.

Oil companies, concerned at the falling yen, have recently put out feelers to oil producing countries, specifically Kuwait and China, asking that payment for at least some purchases be made in yen, rather than dollars.

However, this has so far proved fruitless. Only this week, Japanese importers agreed with China on both a dollar price and volume for this year but reported that the question of paying for Chinese oil in yen had not been taken up in their negotiations.

The overall impact of the oil industry's problems has been to cause a substantial reduction in Wakos latest forecast of Japanese corporate profitability, which covers 422 companies listed on the first section of the Tokyo Stock Exchange.

It now forecasts a 7.9 per cent increase in aggregate income in the current period compared with the preceding six months; its earlier estimate had been for a 13.1 per cent advance.

It foresees less severe problems, but still some contraction in the rate of profits growth, for electrical machinery manufacturers, largely because of possible oversupplies in certain sectors, such as semi-conductors. It has revised downwards its earlier estimate of a 12.8 per cent profits increase to 5 per cent for the manufacturing sector.

Abercom in the red at midterm

BY OUR FINANCIAL STAFF

ABERCOM, the South African engineering group which last year cut its dividend on lower profits, has slipped into the red for the first half.

Turnover for the six months ended December 1984 dipped by 14 per cent to R89.1m ($46.7m) not helped by what the company describes as a rapidly deteriorating local business environment.

Losses of R9.9m have been incurred, and for the whole of 1984-85 the group expects to remain in the red. Net profits were R4.6m half-way through last year, and R7.06m overall.

Abercom has recently completed a major rationalisation of its divisions. Continuing operations made a first-half profit of R4.84m, against R4.58m. Discontinued operations had a deficit of R14.6m.

For the whole of last year discontinued operations made a loss of R5.8m, and the group reduced its dividend by a quarter to 12 cents a share.

Despite the prospect of an overall loss for 1984-85, the company is maintaining its interim dividend at six cents a share. It says continuing operations should make a profit of R9.5m overall with the discontinued businesses running up a loss of around R20m.

North American Quarterly Results

CAMPBELL SOUP
Convenience foods

Second quarter	1984-85 $	1983-84 $
Revenue	1.05bn	1bn
Net profits	66.3m	59m
Net per share	1.27	1.14
Six months		
Revenue	2.05bn	1.96bn
Net profits	106.8m	102.4m
Net per share	3.31	3.19

CONTINENTAL CORP.
Insurance, consumer finance

Fourth quarter	1984 $	1983 $
Revenue	1.15bn	1.08bn
Net profits	36.6m†	60.9m
Net per share	0.78†	
Year		
Revenue	4.6bn	4.25bn
Net profits	304.8m	142.4m
Net per share	4.60	2.72

†Loss

CNA FINANCIAL
Insurance

Fourth quarter	1984 $	1983 $
Revenue	1bn	895.5m
Op. net profits	64.4m	26.2m
Op. net per share	1.12	0.72
Year		
Revenue	3.76bn	3.36bn
Op. net profits	125.3m	144.3m
Op. net per share	2.41	2.82

COMBINED INTERNATIONAL
Insurance

Fourth quarter	1984 $	1983 $
Revenue	334.9m	310.7m
Net profits	60.3m*	52.1m
Net per share	1.32	0.78
Year		
Revenue	1.29bn	1.2bn
Net profits	162.3m*	108.5m
Net per share	4.52	3.33

* Includes gain from tax benefit

DRESSER INDUSTRIES
Energy eqpt.

First quarter	1984-85 $	1983-84 $
Revenue	937m	795.1m
Net profits	15.3m	8.8m
Net per share	0.20	0.12

HOOVER
Vacuum cleaners

Fourth quarter	1984 $	1983 $
Revenue	165.1m	165.6m
Op. net profits	7.7m	6.7m
Op. net per share	0.62	0.51
Year		
Revenue	665.3m	668.5m
Op. net profits	34.8m	25.9m
Op. net per share	2.81	2.07

HOSPITAL CORP. AMERICA
Hospital management

Fourth quarter	1984 $	1983 $
Revenue	1.17bn	851.3m
Net profits	47.2m	53.3m
Net per share	0.75	0.64
Year		
Revenue	4.18bn	3.92bn
Net profits	296.7m	243.2m
Net per share	3.22	2.80

JOHNSON & JOHNSON
Toiletries, drugs

Fourth quarter	1984 $	1983 $
Revenue	1.55bn	1.6bn
Net profits	107m	95m
Net per share	0.57	0.51
Year		
Revenue	6.12bn	5.97bn
Net profits	514.5m	488.8m
Net per share	2.75	2.57

* Includes $36m charge

TRANSAMERICA
Financial services

Year	1984 $	1983 $
Revenue	5.78bn	4.86bn
Net profits	171.6m	299.3m
Net per share	2.34	3.11

Setback at South African Eagle

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN EAGLE, the insurance company which is 59 per cent owned by Eagle Star, suffered a sharp drop in underwriting profit in 1984 due to heavy flood and cyclone claims.

Gross premiums increased to R209.5m ($110m) from R181.3m, but the underwriting surplus fell to R0.85m from R3.51m. Investment income increased to R20.5m from R18.6m.

Mr Fred Haslett, the managing director, says that in South Africa itself the underwriting account showed a large deficit due to several natural catastrophes and generally uneconomic rates. All classes of crime insurance continued to produce losses. Foreign subsidiaries and operations in territories neighbouring South Africa produced underwriting profits.

Earnings slipped to 110.5 cents a share from 125.3 cents. However, the dividend has been increased to 65 cents from 60 cents.

Rupert Cornwell reports on a crisis for Germany's myriad of co-operative banks

Hammer scandal signals banking shake-up

THE TOWN of Hamm, just beyond the north-eastern edge of the Ruhr, is scarcely a beacon on the map of West Germany. but in the country's financial world it has of late achieved a quite exceptional, if dubious, luminosity.

The town's leading co-operative bank, Hammer Bank Spardaka, has just been the object of the largest ever rescue operation in the history of tha movement in Germany, while its arstwhile chief executive, Herr Paul Schulte, is at present in Bochum prison helping, as they say, with inquiries into just how losses of DM 495m ($150m) mounted in a few years.

Nor might that be all. The ascertained deficit of DM 495m is being covered out of the special bail-out fund of BVR, the co-operative bank federation. But a further portfolio of DM 601m of "grey" loans have been hived-off to a separate trustee and portfolio management company.

Months of careful scrutiny by BVB have revealed that only some DM 500m little more than a third of the total business of Hammer, is completely sound.

All of which might elicit some admiration that the affair—which in relative terms is hardly better than the lurid collapse of the private Schroeder Münchmeyer Hengst (SMH) bank in autumn 1983—has been handled with so little fuss. Nor would that admiration be entirely misplaced.

The plight of Hammer Bank has been skilfully fed to the world in gradually increasing doses. When word first emerged last summer, the potential losses were put at only DM 100m. A preliminary audit lifted that total to nearly DM 130m, to be eclipsed a few months later by the DM 300m estimate of a wider investigation.

But by tha time Herr Bernhard Schramm, the chairman of BVR, went public with the unvarnished truth a few days ago, it was, in one sense, the end rather than the beginning of the story.

His association's members had agreed to meet the deficit, primarily out of their existing contingency fund, proof that even the largest skeletons could be taken out of the cupboard and decently laid to rest.

A slimmed down Hammer Bank, which might have business of only DM 300m, would subsequently be merged with another local co-operativa bank. Herr Schramm's boast that "no co-operative bank has ever gone bust since the Second World War, and no depositor ever loses his money" would be vindicated. Slightly less reassuring, however, are the reasons why the debacle happened in the first place.

Certainly, the case, to put it mildly, has been atypical. In theory West German co-operative banks, of which there are more than 3,700, can do business over tha entire federal territory, but in practice they

Bernhard Schramm: "no co-op bank has ever gone bust"

operate very locally, the expression of the intense lingering regionalism of West Germany, their clients and members operate very locally. The ex-ber-owners are drawn mainly from the self-employed and small businessmen of a particular town.

This identity with the local community has given tha co-operative banks an air of provincial reliability. At the sama time the often undarrated importance of little companies to the national economy has aeen their share of total bank business grow from under 8 per cent in 1970 to some 12 per cent today. The very spread of their loans, and therefore risk, was another guarantee of stability.

By all accounts the quiet life was not for Herr Schulte. He sought business for tha bank far outside the Ruhr, as far indeed as Lanzarote, in the Canary Islands. Between 1981 and 1983 Hammer's loan portfolio doubled. Far from being scattered far and wide, 75 per cent of it was directed to just 444 customers. By the end just 0.5 per cent of Hammer's members accounted for 90 per cent of its assets.

Why was not the game up years earlier? Signs of trouble had been around for several years, but Herr Schulte seems to hava exploited every inch of room that a legalistic, rule-bound banking system gave him. Probably, too, local pride in the spectacular growth of the bank helped lay fears to rest. For when Hammer was finally exposed it was the seventh largest of ell co-operatives, in a field where the average total loan portfolio of a bank is under DM 80m.

According to Herr Schramm, the final years were a permanent battle between Schulte on the one hand and the auditors, the federal supervisory authorities and BVR on the other. He managed to stay afloat, Herr Schramm has publicly declared, only with tha help of an army of lawyers, using the courts if necessary to repel hostile intruders.

The only problem with this explanation is that Hammer might be the largest, but is by no means the first casa of its kind. Only last August another co-operative, Volksbank Oberhausen, had to be bailed out, for a short-lived record sum of DM 144m. Its troubles were not dissimilar from those of Hammer—except that it was ill-judged property speculation in the holiday island of Sylt, in the North Sea, not quite as far as the Canaries, which caused the trouble. Previous years have seen other, though less serious, incidents.

Herr Schramm claims that largely thanks to the alacrity with which it has been cleared up, the Hammer affair has done no real damage. But it has helped speed up a reform of the statute governing co-oparative banks which has been 18 months in the making.

The new rules should be ready by mid-1985, and have two goals. The first is to stiffen tha powers of the central confederation by giving it earlier and fuller information on the affairs of its members. The second is that BVR should be able to act on that information.

In all likelihood, the federation will be empowered, after suitable warning, to drop an errant co-operativa from the guarantee support mechanism, now more than 50 years old. Had such provisions existed already, an abuse of the system like Hammer probably could not have happened.

Herr Schramm himself trusts the very threat will be enough. "No-one has ever been cut out before. In future we will be able to take this sanction, but I hope we'll never have to."

Handelsbanken earnings growth slows

By David Brown in Stockholm

SVENSKA Handelsbanken, one of Sweden's leading commercial banks, reports a marginal improvement in 1984 results in contrast to the strong performance of a year earlier.

Earnings in Swedish banks have come under pressure from rapidly-growing credit losses and the restrictive monetary policy being pursued by the central bank.

Handelsbanken's operating profits rose 2 per cent to SKr 1.77bn ($190m) and operating margins narrowed from 23 per cent to 20.1 per cent.

Lending losses climbed by 69.5 per cent to SKr 461m due largely to the bankruptcy of the Salenrederi shipping group and failures among small companies.

Net profits after appropriations and estimated tax have been fixed at SKr 346m, up 5 per cent. The dividend remains at SKr 7.50 per share, in line with government dividend curbs.

● SDS, the savings bank which is Denmark's fourth largest bank, reports an increase in earnings before depreciation and provisions in 1984 from DKr 499m to DKr 590m ($50m).

However, pre-tax profits fell from DKr 1.77bn to DKr 133m and net profit from DKr 1.06bn to DKr 99m, reflecting a steep decline in the adjustment for the value of the bond and share portfolio.

The bank's balance sheet total increased from DKr 42.9bn to DKr 50.5bn.

U.S. operations boost in St. Go

BY DAVID HOUSEGO IN PARIS

SAINT GOBAIN, the diversified French glass and engineering group, yesterday reported sharply increased profits on its U.S. operations last year but losses on its French and West German activities.

Overall the group announced a 25 per cent increase in net consolidated earnings (excluding minority interests) to FFr 500m ($49.6m) or somewhat below the FFr 600m that M Roger Fauroux, the chairman, had forecast in December.

Operating profits almost doubled, however, to FFr 2.2bn, and consolidated profits after tax and exceptional factors (but before deduction for minority intrests) rose by 34 per cent to about FFr 1.1bn Group turnover calculated on a comparabla basis to 1983 rose by 6 per cent to FFr 60.4bn.

Exceptional factors included last year about FFr 1bn in restructuring costs involving a more substantial shedding of labour than in 1983. The 1984 balance sheet also includes exceptional losses as a result of a large upward revision of the deficit incurred by Societe Generale d'Entreprise Sainrapt et Brice (SGE-SB), the construction and engineering group.

After purchasing a 25 per cent stake in SGE-SB from Compagnie Generale de l'Electricite, the nationalised electronics conglomerate, in 1983, Saint Gobain later discovered that CGE had considerably underestimated SGE-SB's losses on the basis of the international accounting principles applied by Saint-Gobain.

O the FFr 1.1bn deficit incurred by SGE-SB last year, Saint-Gobain attributes FFr 780m to losses incurred before December 31, 1983, if Saint Gobain's accounting practices had been applied.

The remaining FFr 320m involves losses incurred in 1984. Saint Gobin has consolidated 25 per cent of the total losses.

Capital investment by Saint-Gobain rose by 40 per cent last year to FFr 3.9bn.

Sharp rise in profits at Alitalia

By James Buxton in Rome

ALITALIA, the Italian state airline, says pre-tax profits for 1984 are likely to be more than L120bn (£58.9m), a sharp rise from the L24bn of 1983.

The airline said consolidated sales rose by 17 per cent to L3,440bn and its traffic rose by 10 per cent, compared with an eight per cent rise in world traffic.

Alitalia's load factor was 63.4 per cent, some 2.5 percentage points higher than in 1983, and the highest level reached in 30 years. But the airline's punctuality factor fell sharply from 83.6 per cent in 1983 to 73.8 per cent in 1984, as a result of strikes in the Italian air transport sector.

From 1979 to 1983 the airline made an operating loss. From 1981 onwards, however, this was converted into a small profit at both pre-tax and net levels thanks mainly to profits on tha sale of aircraft. In 1983 Alitalia mada a net profit of L17.3bn, its best result since 1978.

Net results will be presented next month. The company statement did not say whether it made an operating profit in 1984. The pre-tax profit estimate was arrived at after taking into account financial charges and the adverse effects of the rise in the dollar against the Lira.

Dubai Bank faces board changes

BY ANGELA DIXON IN ABU DHABI

THE CENTRAL bank of the UAE has issued a statement to say that changes will be made on the board of Dubai Bank. The statement notes that the bank is continuing to operate normally.

It is understood that the Dubai Government wishes to play a greater part in the affairs of the Dubai Bank. Shaikh Mohammed bin Rashid, second son of the ruler, Shaikh Rashid of Dubai, takes a personal interest in the banking affairs of the emirate.

A board meeting to be held later this week is expected to decide on the composition of the new board.

The move, tha latest in a series of rapid changes among Dubai's banks, came as a surprise to the local business community. Dubai Bank has a reputation for reliability and conservative banking.

The bank is largely owned by Dubai businessmen. Through their holding company, A. R. E. Galadari, brothers Abdul-Rahim and Abdul Latif Galadari hold over 50 per cent of the shares. Credit Suisse, Banque de l'Union Europeenne and Wells Fargo hold a combined 20 per cent.

A. R. E. Galadari owns the Intercontinental Hotel in Dubai, a residential complex, a motor agency, at least one newspaper, and has a 13 per cent share in Abu Dhabi-based Khaleej Commercial Bank.

In November, 1983, tha Dubai Government took over a 73 per cent shareholding in Union Bank of the Middle East, whose chairman A. W. Galadari, resigned. His assets were variously divided and A. R. E. Galadari agreed to take on a Singapore property project valued at some $300m.

Early in 1984, the Minister of State for Finance, Ahmed al Tayer, became the chairman of the Commercial Bank of Dubai, in place of the existing chairman. In December, 1984, the Emirates National Bank was subsumed into the operations of UBME.

PHILLIPS 66

IS ICAHN FOR REAL?

Can Carl Icahn really finance his proposed first-step partial tender offer for Phillips? Can he borrow $4.2 billion?

We don't think so, even though Drexel Burnham says it is "highly confident."

Read his proposal carefully. Icahn admits he will not buy your stock until:

1. He raises the money
2. He eliminates your "Fair Value" Rights by having them redeemed or otherwise
3. He defeats the Recapitalization

We think his conditions cannot be met.

IF YOU WANT THE BENEFITS OF THE RECAPITALIZATION NOW, VOTE FOR IT NOW! Phillips Board of Directors has unanimously rejected the Icahn two-tier takeover proposal and believes that the Recapitalization is the best deal for you.

Time is growing short. Please sign, date and mail Phillips **WHITE** proxy card or follow the Datagram procedure outlined below.

If you need further information on voting, including instructions on voting by Toll-Free Datagram, call the Company toll-free at (800) 431-2624. You may also call **D. F. King & Co.** collect, at (212) 269-5550 in New York, (312) 236-5881 in Chicago, (415) 788-1119 in San Francisco, or (213) 215-3860 in Los Angeles.

TOLL-FREE DATAGRAM VOTING PROCEDURE

Phillips has established the following simple toll-free telephone procedure which, if you are a shareholder of record, you may use to vote your shares:

- **Call Western Union toll-free 1-800-325-6000 any time day or night (in Missouri only, dial 1-800-342-6700).**
- **Tell the Western Union operator to send a pre-paid Datagram to Phillips Petroleum Company, I.D. #F 7014.**
- **Read the following text of the proxy card:**

PHILLIPS PETROLEUM COMPANY
Bartlesville, Oklahoma 74004

Special Meeting of Stockholders To Be Held Friday, February 22, 1985.
This Proxy is Solicited by the Board of Directors.

The undersigned hereby appoints Wm. C. Douce, Melvin R. Laird and W. Clarke Wescoe, or any of them, with individual power of substitution, proxies to vote all shares of common stock of Phillips Petroleum Company which the undersigned may be entitled to vote at the special meeting of stockholders to be held in the Adams Building, 4th Street and Keeler Avenue, Bartlesville, Oklahoma, on February 22, 1985, at 10:00 A.M., CST, and at any and all adjournments and postponements thereof as indicated below.

THE BOARD OF DIRECTORS UNANIMOUSLY
RECOMMENDS A VOTE "FOR" THE PROPOSAL.

☐ FOR ☐ AGAINST ☐ ABSTAIN

1. A proposal to approve a recapitalization as set forth in the Proxy Statement-Prospectus of Phillips Petroleum Company (the "Company") dated January 31, 1985, pursuant to which: (i) the Company's Certificate of Incorporation (the "Certificate") would be amended to reclassify each outstanding share of the Company's common stock, $1.25 par value (the "Common Shares"), into .62 of a Common Share, plus one share of a new class of exchangeable preferred stock, $1.00 par value, of the Company which will be exchanged immediately after issuance for debt securities of the Company; (ii) the Certificate would be amended to increase the number of authorized Common Shares from 200 million to 300 million and to authorize 200 million shares of preferred stock; (iii) the Certificate would be amended to provide for classification of the Board of Directors, elimination of the ability of stockholders to act by written consent and certain related matters; (iv) the current directors of the Company would be classified into three classes numbering six, five and five directors, respectively, with terms ending at the Company's Annual Meetings in 1985, 1986 and 1987, respectively; and (v) the Company would create an Employee Incentive Stock Ownership Plan (the "EISOP") and sell not more than 32 million Common Shares to the EISOP at the market price thereof.

2. In accordance with their best judgment upon all such other matters necessary in connection with the foregoing proposal as may properly come before the Special Meeting or any adjournment or postponement thereof.

This proxy will be voted in accordance with the specification made for the proposal. If no specification is made, this proxy will be voted FOR the proposal.

- **Tell the operator how you wish to vote your Phillips shares. Management recommends a vote "FOR" the proposed Recapitalization.**
- **Give the operator your name and address exactly as they appear on the proxy cards previously sent to you.**

NOTE: If your shares are registered in "street name" with a brokerage firm or bank, you may not vote your shares by the Datagram procedure. In this case, please telephone the party at the brokerage firm or bank responsible for your account and make arrangements to vote your shares immediately.

PHILLIPS 66

The Phillips Independent Directors Ask You to Vote "FOR" The Recapitalization

This statement has been prepared by the independent, outside directors of Phillips Petroleum Company, comprising over two-thirds of the members of the Phillips board.

We wish to express our unanimous judgment that the Recapitalization recommended by the board to the shareholders, to be voted on February 22nd, is clearly in the best interests of all the shareholders.

- As independent, outside directors, we are required to exercise our best business judgment in evaluating proposals to acquire Phillips. We have a unique position from which to do this. We are neither employees of the Company—nor dependent upon our directors' fees for our standard of living. Therefore, we have no particular bias in making a business judgment on what is the best way to maximize shareholder value for all Phillips shareholders.
- Our assessment of Phillips value is quite different from that being put forth by stock market traders. We believe that the prices at which these people are willing now to buy and sell Phillips shares are based upon short-term, quick-buck considerations.
- Our sole interest is in maximizing shareholder value for all Phillips shareholders.
- We reviewed and evaluated the Mesa proposal and the Icahn proposals announced on February 4, February 8 and February 12 and concluded that none of these proposals met that critical test.
- We do not believe that the Note Purchase Rights Plan that we have adopted is a "poison pill." These "Fair Value" Rights guarantee that our shareholders are treated fairly and equally and cannot be forced to accept less than $62 in cash for their shares.
- We have had and continue to have an open mind with respect to reviewing and evaluating any offers that would help maximize shareholder value for all Phillips shareholders. We have no reason to oppose, and are not opposed to, any fair offer which would accomplish this. To date, none has been forthcoming.

We believe Phillips is capable of great future financial performance for the shareholders and hence, in our judgment, represents values substantially in excess of current offers. The proposed recapitalization permits all shareholders to share in that future. At the same time, it provides enhanced present value for all shareholders. **The recapitalization is an alternative to an ill-timed sale of the Company at this period of uncertainty in the oil business.** We urge all shareholders to support the plan.

The Outside Directors of Phillips Petroleum Company

George B. Beitzel, Senior Vice President and Director of International Business Machines Corporation

Michael N. Chetkovich, Director of External Affairs, School of Business Administration, University of California; Formerly managing partner, Deloitte, Haskins and Sells

James B. Edwards, President of the Medical University of South Carolina; Former U.S. Secretary of Energy

Robert F. Froehlke, Chairman of the Board of Directors of The Equitable Life Assurance Society of the United States

E. Douglas Kenna, Partner of G. L. Ohrstrom & Company

Melvin R. Laird, Senior Counselor for National and International Affairs for The Reader's Digest Association, Inc.; Former U.S. Congressman and Secretary of Defense

Carol C. Laise, Retired Director General of the U.S. Foreign Service in the State Department

David B. Meeker, Retired Chairman of the Board of Directors of Hobart Corporation

W. Clarke Wescoe, Chairman of the Board of Directors of Sterling Drug Inc.

Dolores D. Wharton, President of The Fund for Corporate Interns, Inc.

Francis M. Wheat, Senior Partner in the law firm of Gibson, Dunn & Crutcher; Former Commissioner, U.S. Securities & Exchange Commission

Please sign, date and mail the **WHITE** proxy card. If you need further information on voting, including instructions on voting by Toll-Free Datagram, call Phillips Toll-Free at 800-431-2624. You may also call **D. F. King & Co.,** collect, at (212) 269-5550 in New York, (312) 236-5881 in Chicago, (415) 788-1119 in San Francisco, or (213) 215-3860 in Los Angeles.

David Dodwell on a pauper among Hong Kong's princely traders

Wheelock Marden under siege

IF Jardine Matheson is Hong Kong's "Princely Hong," then Wheelock Marden is its pauper. While it remains unclear who will succeed in the takeover battle that began last Thursday, it is already certain that the company is about to be turned on its head.

Founded in Shanghai in 1932 as a result of a merger between G. E. Marden and Co. the Shanghai Tug and Light Company, it now comprises 200 subsidiaries, most of them involved in property and shipping.

Yet the once prestigious group's steep decline was being widely discussed in Hong Kong as long ago as 1977. The blue chip image that used to be the prerogative of the colony's "hongs," or early trading companies, was already being eroded by a series of ill-judged management decisions, obsessive secrecy, and increasingly serious financial problems. Even then, it was talked of as an obvious bid target.

It is a measure of the strengths that remain, in spite of protracted decline, that Sir Yue-Kong Pao, chairman of the Hong Kong and Kowloon Wharf and Godown company, has been willing to enter an auction for the company—a rare occurance in a market where takeovers are usually agreed behind closed doors—with a cash offer valuing Wheelock at HK$2.1bn (U.S.$270m). His bid came just two days after Tan Sri Khoo Teck Puat, one of south-east Asia's wealthiest financiers, made his initial offer of HK$1.98bn for the company.

Shipping operations, carried on mainly through Wheelock Maritime, were for many years Wheelock's main strength. Over the past decade of decline in the world shipping industry, they have become its greatest weakness.

The company's fleet has been pruned back to only 11 vessels. Write-offs and provisions against shipping operations have led to mounting losses for Maritime over the past four years. Total net losses for the year ended on December 31 1983 amounted to just under HK$228m. A U.S.$4m standby credit was negotiated from its parent, while auditors Price Waterhouse qualified its accounts.

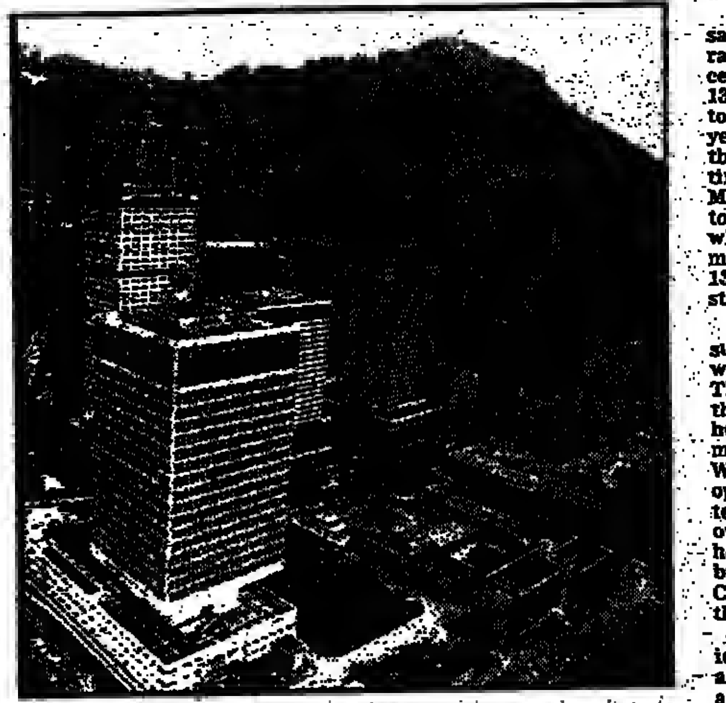
At the interim stage in 1984, Mr John Marden, the parent company's 66-year-old chairman, announced further losses by Maritime, and revealed that Wheelock Marden had written off all investments in it. Since then, it has been widely believed that the days of Wheelock Maritime are numbered.

Wheelock's interests, mainly held through the 56 per cent-controlled Hongkong and Realty and Trust, and through the 29 per cent-controlled associate Realty Development, are in stronger shape. Apart from prime buildings like Wheelock House and Wing on House in Hong Kong's central business district, Hongkong Realty has a controlling stake in Lane Crawford, the high-quality retail group.

Other gems locked inside one of Hong Kong's most complex corporate empires are Cornes, a highly reputed trading group based in Japan, and the Cross Harbour Tunnel Company, which manages the tunnel linking Hong Kong island with Kowloon on the Chinese mainland, and collects tolls on traffic using it.

It has surprised some that a company that has been so obviously vulnerable for so long has only now attracted takeover interest. Mr Marden has talked openly for seven years of wanting to step back from the company. A number of factors have kept suitors at bay:

● A protracted conflict between the two men controlling the company — John Marden, with his roots in its shipping operations, holding shares amounting to about 13.5 per cent of voting rights, and Mr John Cheung, the property dealer who had no seat on the board but controlled shares amounting to about 32 per cent of the voting rights. This conflict was a source of critical weakness, but at the same time made a bid — involving an approach to two antagonistic and substantial shareholders—more difficult to mount.



Hong Kong, home of Wheelock Marden's wide-spread property and and shipping empire

● A complex corporate structure, with Wheelock Marden sitting at the centre of a group including seven separately quoted subsidiaries, among several other quoted associates. Control of Marden did not guarantee control of these subsidiaries.

● A history of often unreported intra-group dealing, which means that even now a successful bidder cannot be sure exactly what he is buying control of. A controversial web of intra-group debt was unravelled in the late 1970s.

● A two-tier share structure, introduced in 1972 to enable the board members to maintain their grip on the parent and its subsidiaries without massive investment. "B" shares cost one-tenth what "A" shares cost, but have voting strength in common.

Wheelock's life has been prolonged further by the political uncertainty that hung over Hong Kong for two years while secret Sino-British negotiations took place over the fate of the territory when China regains control in 1997. Until agreement was reached in September last year, few were brave enough to consider investment of any kind in Hong Kong, let alone a bid for one of its corporate walking wounded.

Just five days after the first salvo was fired by Tan Sri Khoo, radical change at Wheelock is certain. Mr Marden has sold his 13.5 per cent stake in the group to Tan Sri Khoo. He has not yet resigned as chairman, but this can only be a matter of time. It is also understood that Mr Cheung has sold his interest to Sir Y. K. Pao. The two men who have been the group's main driving forces for the past 13 yaers are no longer on the stage.

If Tan Sri Khoo were to succeed in his bid, it is not clear what plens he would have for it. The main thread running through his career is in the hotel business, an dso while be may feel at home with Wheelock's property and trading operations, shipping is unlikely to be close to his heart. As an overseas Chinese who is now 69, he says be is keen to build business links with mainland China, and sees Hong Kong as the ideal springboard for these.

Sir Y. K. Pao is seen as ideally placed to understand, and untangle Wheelock. He is a long-standing friend of Mr Marden—indeed Mr Marden sits on the board of Hongokng and Kowloon Wharf — and almost certainly has as intimate knowledge of Wheelock's business as any outsider could have. He has substantial local property and hotel interests whicb would be complemented by those of Wheelock.

Sir Y. K.'s shipping fleet, cootrolled through the subsidiary Eastern Asia Navigation, is perhaps the strongest and most efficiently run in Hong Kong. It has a joint venture with Wheelock Maritime involving two vessels, and so has detailed knowledge of Maritime's problems.

With the Chinese New Year celebrations about to begin, it is unlikely that Wheelock's fate will become clear in the immediate future. The pauper ameng the British colony's hongs may be destinde to lose its independence, but it is about to get some much-needed nourishment, a new set of cloths. There are few in Hong Kong who would not think it is for the better.

This announcement appears as a matter of record only.

February, 1985

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Particulars of the Notes and Export Development Corporation are available in the Extel Statistical Service. Copies of the Listing particulars relating to the Notes may be obtained during usual business hours up to and including February 22, 1985 from the Company Announcements Office of The Stock Exchange and up to and including March 6, 1985 from:—

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February 20, 1985

NOTICE OF PREPAYMENT

The Taiyo Kobe Bank, Ltd.

(Incorporated in Japan with Limited Liability)

U.S.$20,000,000

Floating Rate Certificate of Deposit

No 580361-580400 issued on 30th March, 1983
Maturity 27th March, 1986. Callable in March, 1985

Notice is hereby given in accordance with Clause 5 of the Certificates of Deposit (the "Certificates") that pursuant to Clause 3 of the Certificates The Taiyo Kobe Bank, Ltd. (the "Bank") will prepay all the outstanding Certificates on 29th March, 1985 (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Taiyo Kobe Bank, P&O Building, Leadenhall Street, London EC3V 4RE.

Interest will cease to accrue on the Certificates on the Prepayment Date.

20th February 1985

The Kingdom of Denmark

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Company Notice

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS

UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 30 January 1985, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R2.0103090 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 18 February 1985 as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share
Gold Fields Property Company Limited	124	4.47682p
New Wits Limited	65	10.94358p
Vogelstruisbult Metal Holdings Limited	76	5.47180p

By order of the Boards,
per pro CONSOLIDATED GOLD FIELDS PLC,
London Secretaries.
P. F. G. Roe, Secretary.

United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London SW1P 1PL.

London Office:
49 Moorgate,
London EC2R 6BQ.
18 February 1985.

All-round rise boosts Cope by 93%

WITH FIRST half pre-tax profits up by some 93 per cent Cope Allman International is lifting its interim dividand by 35 per cent to 2.7p net. If second half prospects are realised, the final will be raised by a similar percentage.

On the back of an £11.59m rise in turnover to £86.6m profits at the pre-tax level rose from £3.28m to £6.34m. Turnover of present businesses rose 23 per cent.

All group activities contributed to the better results with the majority of businesses showing higher turnover and further improvements in productivity and margins.

Packaging companies increased turnover by 25 per cent and operating profits by more than 40 per cent, with North American companies accounting for a major part of the growth.

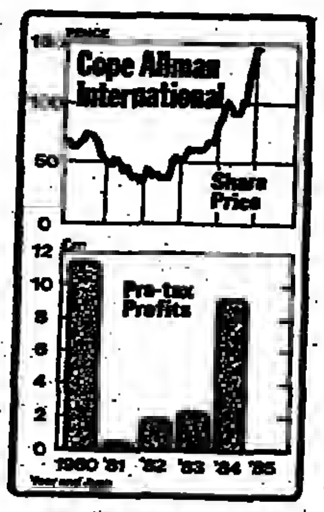
Engineering companies continued to perform "very well" with increased sales of strip steel in the U.S. more than compensating for a downturn in electrical switchgear business.

The amusement machine hiring companies experienced, and are still experiencing, pressure on rental income, but the manufacting company showed a major improvement in its results.

Borrowings for the opening six months, to December 31, 1984, were contained at approximately the same level as those shown in the last annual accounts and the lower interest charge, together with a reduction in head office costs, contributed more than £400,000 to the improved results.

The directors, headed by Mr Michael Ashcroft, the chairman, are encouraged by the prospects for the remainder of the year although it is not anticipated that the difference in the level of profitability between the first and second halves will be as large as it has been in recent years.

Mr Michael Ashcroft . . . encouraged by prospects



Interest charges for the first six months accounted for £1.54m (£1.64m) and head office costs £458,000 (£782,000).

Tax took £2.77m (£1.36m) and earnings per 5p share emerged at 8.97p (4.82p). Comparative figures have been restated to reflect more accurately the effective rate of tax for the year as a whole—figures originally published were £720,000 and 6.45p respectively.

The results for the half year were translated at exchange rates ruling at December 31 1984. Had they been converted at rates ruling a year earlier pretax profits would have amounted to £5.93m.

A divisional breakdown of turnover and profits before interest and tax (£7.88m against £4.93m) shows: packaging £55.18m (£44.2m) and £3.98m (£2.85m), amusement machines £16.18m (£13.14m) and £2.31m (£904,000) and engineering £14.13m (£12.4m) and £2.25m (£2.04m). Divested businesses accounted for £1.11m (£5.28m) of turnover and losses of £253,000 (£138,000). Associated companies share of profits totalled £50,000 (£60,000).

Turnover and profits before interest and tax by geographical area shows: UK £45.02m (£42.54m) and £4.78m (£3.08m), Europe £21.78m (£18.73m) and £1m (£880,000) and North America (£15.77m (£9.13m) and £2.09m (£984,000). The rest of (£4.62m) to turnover.

Since the end of the half year the business of Counting House Computer System has been sold to management for a nominal consideration. The estimated loss of £400,000 will be dealt with as an extraordinary item in the annual accounts.

Shareholders were told at last November's annual meeting that trading over the first four months of 1984-85 was ahead of budget which gave confidence for the future. The directors expected the results for the first six months to show a substantial increase over the corresponding period of the previous year. Pretax profits for the 1983-84 year totalled £9.17m and a final dividend of 2.25p was paid.

Mr Ashcroft's Hawley Group and Midepsa, an investment vehicle set up by Mr Ashcroft and Dr David Wickins, together hold some 48.6 per cent of Cope Allman's equity.

● comment

Cope Allman International shares have quadrupled in the past two years in recognition of the turnaround that chief executive Mr Michael Doherty has achieved since ariving in 1982. Yesterday they rose another 7p to a record 152p. Even at this level they seem cheap—the group should make £13.5m pre-tax this year, which, on a 43 per cent tax charge, puts the shares on a multiple of just 8. It is time that the market put behind it memories of the old overweight Cope Allman and looked instead at the way the group is expanding its packaging operations, particularly in North America. Admittedly, the prospects of the engineering and amusement machines businesses are respectively dull and uncertain but the cash generated can be invested elsewhere. Bunzl has shown how much can be done in transferring resources from old markets to new. Meanwhile, the City might rate the shares more highly if Mr Michael Ashcroft's intentions were more clearly spelt out—on the one hand the possibility that some of the Hawley-Midepsa shares might be sold is no help in the market; on the other hand the chance that Mr Ashcroft might support a substantial acquisition or merger, perhaps in the U.S., almost makes Cope Allman look exciting.

Second half losses fail to halt E. Jones

DESPITE increased second half losses of £270,000 against £181,000, Ernest Jones (Jewellers) maintained the 51 per cent rate of growth achieved in the opening six months, which takes in the important Christmas trading period.

The year to September 31, 1984, saw taxable profits rise from £464,000 to £702,000, and the directors state that Christmas trading for the current year exceeded target figures and produced a record level of turnover. In 1983-84 turnover excluding VAT rose from £11.18m to £12.85m.

This retail jeweller is based in London, but has many branches in areas affected by the miners' strike. The directors say that consideration must be given to the effect this is having on retail trading in general and the jewellery sector in particular.

However, they are confident of future growth and look forward to a year of progress as product development and branch improvements gather pace.

The opening of branches at Bexleyheath and Epsom, in February and March respectively of last year, adversely affected profits in the year under review. They were not open during the Christmas trading period, but incurred costs for almost the whole year.

They are now trading satisfactorily, say the directors, and achieved target figures during November and December last.

As regards possible acquisitions, the directors state that during the last year or so there have been several mergers in the retail jewellery sector. The company has investigated opportunities to expand but so far none of the propositions put to it have met the company's "strict criteria."

The current period will be for 18 months, ending March 29 1986.

The final dividend from the company, which has close status, is held at 2.5p net.

● comment

Ernest Jones gives little away to back up its bullish statement, except to suggest that the first quarter has got off to a flying start. A record Christmas, it seems, has been followed by trading levels in excess of the previous comparable period, which, with margins no worse, suggests that the recovery is on firmer ground. No doubt the company's recent efforts to market itself more aggressively and improve product presentation has played a part. The current physical expansion programme is also helping to add confidence. In the year just gone two new stores were opened and this is being followed up by another five this year. There is always a lead time before they become profitable, so no great leaps forward can be expected in the short term. At 78p, down 2p, the shares sell on a p/e of 17 and a yield of 7.1 per cent—a rating which looks ahead of events.

Peachey residential sales accelerate and lift results

THE ACCELERATION in the residential sales programme at Peachey Property Corporation was reflected in increased profits from trading properties of £2.18m against £721,000 at the halfway stage. Pre-tax profits for the six months to December 25 1984 were lifted from £3.04m to £4.85m.

For the year as a whole Sir Charles Ball, chairman, says that net property investment income is expected to be higher as a result of residential disposals since the end of the half year. During the half year sales included 198 houses and maisonettes to a single investor.

This significant contribution to trading profits will diminish in future years, he says, as the programme of selling residential property nears completion.

At the end of the last full year, when profits were up from £8.69m to £3.32m, Sir Charles said the company had taken advantage of an improvement in the residential investment market to accelerate sales of maisonettes and houses. This had helped a switch from low yielding residential properties into commercial property which be said then would increase further both net rental and net property investment income.

He said the directors intended to sell remaining residential holdings over the next two years.

The interim dividend has been lifted from 2.5p to 3p—in the last full year a final of 4.5p was also paid. First half earnings per share are shown as rising by 4p to 9.3p.

During the half year Standon House, Mansell Street, E1, was let to Sedgwick Group on a 25-year lease, with five yearly reviews, starting on March 1 1985.

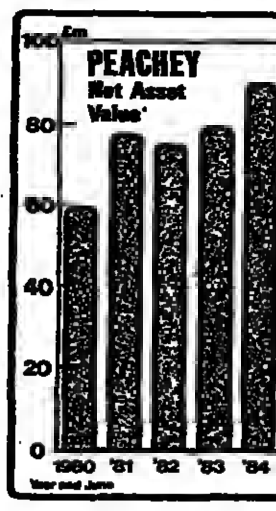
Further property acquisitions included shopping parades at Streatham, SW16, and Southampton, and a new industrial estate at Norbury, SW16, for a total of £3.41m.

Since the year end and as already announced, Sir Charles says that the company has sold its leasehold interest in the Churchill Hotel to the parent company of the underlessees for £9.25m.

Total income for the six months came to £3.91m (£3.51m) which included net rents of £3.7m (£3.34m), interest receivable of £19,000 (£8,000) and other income of £187,000 (£163,000).

Pre-tax profits were struck after administration expenses of £762,000 (£729,000) and interest payable of £451,000 (£464,000), and also included the profit on trading properties.

Tax took £2.12m (£1.48m).



● comment

Peachey's now five-year-old strategy to increase its exposure to commercial property continues apace, with the latest results benefiting from the increased prices being obtained for residential property. The company still has a fair proportion—£5m odd—of its portfolio in houses and maisonettes, so the current buoyant market will no doubt encourage it to step up residential sales, making this year a bumper period by a wide margin. These excellent results are prompting most analysts to upgrade their forecasts for the year to around £9.5m which, after tax at about 40 per cent, puts the shares on a prospective p/e of 12.5 which looks somewhat undemanding against the sector. This is supported by strong rental revenue growth from the Carnaby estate and the recent letting of Standon House in Mansell Street. All this, and having just sold the leasehold interest in the Churchill Hotel, has put the group back on the acquisition trail, particularly for retail premises where the group wants to concentrate. Currently the portfolio is probably worth in the region of 325p a share for a discount of 25 per cent.

Addison and Michael Page improve sharply

SHARP RISES in pre-tax profits were reported yesterday by two companies which are on the point of merging to form a large new corporate communications consultancy—Addison Communications, a public relations group, and Michael Page Partnership, an executive recruitment agency.

Addison, which came to the Unlisted Securities Market last October, reported pre-tax profits for the year to December 31 of £635,000, an increase of 131 per cent over the £275,000 achieved in 1983 and 25 per cent over that forecast at the time of its flotation.

Page reported taxable profits of £1.35m, which compares with a figure of £604,000 for 1983, restated to take account of acquisitions.

The two companies yesterday issued an offer document recommending the merger which they said represented a major opportunity for both to expand and was wholly consistent with the strategic objectives of each. The two groups had similar management philosophies and their services were provided to a comparable range of clients in the corporate and financial sectors.

Addison Page, the new holding company being forced to bid for both businesses, would have a combined list of more than 1,000 clients to which it would offer an enlarged range of consultancy services.

Michael Page, which came to the USM in 1983 and specialises in accountancy, banking and financial appointments, reported turnover last year of £8.09m, against £4.78m in 1983. Operating profits reached £1.24m (£561,000) and investment and other income totalled £110,000 (£43,000). Tax accounted for £663,000 (£295,000).

There was an extraordinary credit of £104,000 from a former director of a subsidiary who was released from a service agreement. Earnings per share before extraordinary item were 10.4p (5.1p) and dividends per share total 2.8p (0.35p).

Addison said the increase in its profit, compared to the flotation forecast, was mainly attributable to a significant increase in new business in the last quarter of 1984.

Turnover totalled £3.33m (£2.07m) and net interest income was £26,000 (£15,000). Tax totalled £306,000 (£72,000), leaving an after tax profit of £329,000 (£123,000). Earnings per share totalled 6.1p (2.3p).

There is a dividend per share of 0.6p, higher than forecast and representing one-third of the dividend that would have been paid if the company had been admitted to the USM at the beginning of 1984.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Addison	0.6	April 8	—	0.6	—
Michael Page	2.5	April 8	0.35	2.8	0.35
Burmatex	3	—	—	5	—
Cope Allman ....int	2.7	July 1	2	—	4.25
Deborah Services ....int§	1.21	March 18	1.21	—	4.55
Ernest Jones	2.5	April 1	2.5	3.9	3.9
Meldrum Trust	3	April 10	2.6	4.5	4
Peachey Property ....int	3	April 29	2.5	—	7
Throgmorton Sec'd ...int	1	April 4	1	—	3

Dividends shown pence per share net except where otherwise stated.

*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. § Unquoted stock.

Burmatex ahead 18% to £1.45m

Burmatex experienced a further year of profits growth in 1983-84 as sales advanced by 18 per cent from £5.98m to a record £7.07m.

Operating profits emerged at £1.33m, against £1.13m, but the advance at the taxable level was reduced to a rate of 8 per cent following lower investment disposal gains.

The taxable result amounted to £1.45m, compared with £1.34m, and was struck after virtually unchanged investment income of £89,000 and investment disposal gains of £30,000 (£127,000).

Burmatex is based in West Yorkshire and manufactures carpet tiles and fibre bonded carpets. It obtained a full Stock Exchange listing a year ago.

As forecast, a final dividend of 3p is recommended making a total 5p for the 12 months to November 30 1984.

Commenting on the year, Mr J. B. Burrows, chairman, says that productivity was at a consistently higher level. This, he says, enabled a quicker response to orders and the building up of a better level of stocks and finished goods.

Home sales of carpet tiles during the first nine months were lower than anticipated, although there has been an improvement since the autumn.

The Anchorite carpet tile backing system, doubly reinforced with polyester and glass fibre scrims, is proving to be "extremely reliable under the most demanding contract situations," says Mr Burrows.

While the new Tivoli carpet tile launched at about the time of the company's flotation was slow to establish itself, sales have been "consistent and encouraging" since September.

"It is expected that this product will be increasingly important in our future growth, and investment has been made in a tufting plant to manufacture this product fully in house," he says.

Sales of fibre bonded carpet, led by Burmatex 2200 Antistat, showed a substantial increase and firmly established Burmatex as market leader in this sector."

Group exports rose more than 150 per cent to £676,000 and a further improvement is expected in the current year.

● comment

Readers of Burmatex's interim statement last July would have been blissfully unaware that a significant problem was rapidly developing in the carpet tile business. So yesterday's results, showing a second half setback of almost a tenth at the pre-tax level, came totally unheralded from a company which has shown consistent growth before going public a year ago. The specific problem centered on tiles supplied before August 1983 which had failed to live up to customers' requirements. The cost of rectifying faulty supplies clipped around 10 to 20 per cent off the group's expectations. The damage caused by earlier orders will spill over into the current year though the effect is diminishing. So once again shareholders should see the benefits of progressively rising demand. Assuming sales growth of around 20 per cent this year, pre-tax profits could get close to £2m adding in an element of recovery. That drops the prospective multiple to just over 9 at 170p.

Mayhew Foods joins USM via placing

BY STEFAN WAGSTYL

Mayhew Foods, a supplier of fresh and processed chicken, is coming to the Unlisted Securities Market with a capitalisation of £12.5m.

Simon and Coates is placing 2.9m shares at a likely price of 100p each. Mayhew is raising around £1.25m before expenses from the sale of 1.25m new shares—the remainder are existing shares which are being sold by a trust conected with the founding Mayhew family.

Maybew is forecasting pre-tax profits for the year to end-May of not less than £1.15m, against £1.01m previously. It plans to pay a 0.875p net dividend for the year. If it had been quoted for the full year the payment would have been 3.5p net.

Founded in 1957, Mayhew's main business was initally supplying fresh chicken to customers which included Harrods and Marks and Spencer.

But in the last few years it has developed sales of processed food rapidly.

Miners' strike hits Yorkshire Bank profits

Yorkshire Bank has reported its first fall in profits since 1971 because of the combined effects of the miners' strike and sharply lower profits from trading in gilt-edged securities.

Pre-tax, the group earned £34.4m, a drop of 3.9 per cent on the previous year's £36.6m. However, it raised its dividend by 10 per cent to £4.7m claiming that the underlying trend in its profits is still strong. The bank is jointly owned by Barclays, National Westminster, Lloyds and Williams & Glyn's Bank.

Profits from investments fell from £6m in 1983 to £2.5m. In addition, the group made a bad debt charge of £10.7m which included a specific provision of £700,000 for instalment loans to miners. Mr Graham Sunderland, general manager, estimated that the total impact of the miners' strike on pre-tax profits was between £2m and £2.5m.

Total group assets increased by 15.2 per cent to £1.58bn.

Deborah loses ground at interim stage

First half results at Deborah Services, scaffolding contractor, were adversely affected by continuing losses in its painting division and, as a result, the directors have decided to restrict its activities. They are now satisfied that they have taken appropriate steps to minimise these losses.

Pre-tax profits for the six months to September 30, 1984 fell by £70,000 to £301,000 on turnover substantially lower at £15.2m compared with £17.1m.

While the second half will again be adversely affected by further losses in the painting division, group profits for the full year are expected to be lower than the previous year's £1.01m, but the directors remain confident that prospects for the group are good.

Accordingly, an unchanged interim dividend of 1.21p is being recommended.

Deborah's mainstream activities, scaffolding contracting and building equipment hire and sale, performed satisfactorily.

The group's shares are traded on the market made by Granville and Company.

Southern Business looks for £2.2m to generate expansion

BY TERRY GARRETT

Southern Business Leasing is raising £2.17m by a share placing to provide the means to buy a number of large equity stakes in private companies operating in the office equipment sector.

As a USM quoted supplier of photocopiers and vending machines on a leasing and rental basis it is SBL's ambition to act as a modest venture capitalist within its own industry. The company intends to buy 50 per cent equity stakes in companies operating in similar businesses and provide management systems and cash resources to develop these companies into the rental market.

These investments will allow SBL to expand its market penetration both in terms of physical coverage and the range of equipment on offer.

Mr David McErlain, SBL's managing director, said yesterday that the company was looking at half a dozen potential investments. "But we will take a conservative approach to the first deal. It will be a belt and braces operation to ensure that we get it right for us and the other side." He added that it could be up to six months before the first deal—which will be with a fellow photocopier supplier—is completed. Ultimately the joint ventures could also find themselves on the USM.

The placing, arranged by stockbrokers Capel-Cure Myers, was of 1.8m shares at 124p each, representing a discount of 5 per cent on the previous night's close of 130p. Yesterday the price closed 2p lower at 128p.

The move enlarges the company's capital base by 11.6 per cent, and partly rectifies the problem of SBL's shares trading in a limited market since it joined the USM in June 1983. A rights issue was ruled out by the management because of the demands that would be imposed on the purses of the directors who own 77 per cent of the equity.

Not all of the proceeds are earmarked for investment in other companies, however. The programme is planned to involve only about half of the proceeds of the placing—the rest will be used to develop existing business.

Mr McErlain said yesterday that it was too early to make a forecast for the current financial year to September 1985. But he said that contracted income at the end of December was £29m, representing an annual growth rate of about a third, and the directors are looking forward to another satisfactory year. In 1983-84 SBL made pre-tax profits of £1.52m.

Sims Catering placing 30% of equity on USM

BY WILLIAM DAWKINS

THE LATEST food company to join the Unlisted Securities Market is Sims Catering Butchers, a Farnborough-based supplier of meat, poultry and game to caterers in southern England.

The stockbrokers Henderson Crosthwaite are placing 1.04m shares at 128p each, representing 30 per cent of the equity, to raise £576,000 in new money for the company before expenses.

Two of the existing shareholders are selling equity worth £755,000. Sims is valued at £4.4m at the placing price.

The group was incorporated in 1959, and has seen its profits grow steadily in the past five years. Taxable profits have climbed from £66,000 in the 12 months to March 1980 to £320,000 on sales of £3m last year. Profits are forecast to reach £385,000 before tax in the current year.

The placing price represents a multiple of 16.3 times prospective earnings after a 37.7 per cent tax charge, with the yield at 4.1 per cent, covered just over twice by forecast earnings. Dealings are expected to open tomorrow week, and full details will be published on Monday.

Sims' main customers are high-class restaurants, hotels and educational and medical establishments. It services 400 clients, none of which accounted for more than 3½ per cent of the £1.7m turnover recorded in the six months to last September. Pre-tax profits at the interim period were £219,000.

The placing money will be used for expansion. Sims' directors believe the group has not fully exploited its existing geographical markets and that its present premises could handle considerably higher sales.

* * *

Dunedin Fund Managers or its subsidiaries manage companies and other investment clients which hold a total of 2,369,000 shares of Fleming Fledgeling, representing 18.85 per cent.

600 Group makes £3m agreed bid for Pratt

By Martin Dickson

THE 600 Group, engineer, yesterday launched an agreed £3.13m cash bid for F. Pratt Engineering, in which it has held a 26.8 per cent holding since 1981.

Pratt, which has its main business in the manufacture of "workholding" components for machine tools, such as chucks, recorded a pre-tax profit last year of £325,000—the first time it has been out of the red since 1980.

Many workholding components are bought from Pratt by the 600 Group, as well as items such as electrical panels. The 600 Group claims to have Europe's largest standard machine tool manufacturing and merchandising organisation.

A considerable amount of business is done by 600 Group with Pratt. The group acquired its 1981 stake in Pratt to head off the threat of a hostile bid—only to find Pratt immediately embroiled in a bitter public boardroom row about directors' expenses.

The offer by the 600 Group is for 78p in cash for each Pratt ordinary, which compared with a Pratt closing price last night of 77p, up 28p on the day. Pratt's directors, who represent 0.6 per cent of the company's shares, will be accepting the offer.

The two companies said they believed a merger would provide "a powerful base from which to develop."

Sir Jack Wellings, chairman of the 600 Group, said last night that people had been saying for some time that his company was the "natural acquirer" of Pratt. It had decided to go ahead now because it could see the two companies doing more business together.

"Pratt has a good name and good products, but it is going to want quite a substantial injection of capital," he added. "If we were going to protect our British suppliers, now is the time to do it."

Pratt's chairman, Mr J. R. Hendin, is already on the 600 group board.

The 600 Group is being advised by J. Henry Schroder Wagg and Pratt by Morgan Grenfell.

Meldrum Trust

Net asset value per 25p share of the Meldrum Investment Trust rose from 173.4p to 195.8p over the 1984 year. Net revenue improved by £178,000 to £993,000 and a final dividend of 3p lifts the net total by 0.5p to 4.5p. Earnings per share amounted to 4.93p, compared with 4.04p. Tax took £467,000, against £397,000.

BTR says Dunlop rights issue plan 'ignores high risks'

BY MARTIN DICKSON

Dunlop Holdings announced yesterday that its new restructuring plan—being prepared as part of its defence against BTR's takeover bid—will give shareholders the opportunity, via a rights issue, to provide all the new equity it is trying to raise.

Under the ailing group's first restructuring plan, unveiled in January, shareholders would have seen a substantial dilution of their equity through placings with institutional investors.

Sir Michael Edwardes, Dunlop's chairman, said in a letter to shareholders yesterday that the company was preparing new capital-raising proposals and "will soon be able to put forward an attractive package. This will allow shareholders who can take up their rights to avoid any dilution of their holdings."

However, the new plan was sharply criticised last night by BTR. A spokesman for the company said Dunlop was being "more and more irresponsible." He said that whereas its first proposals had emphasised the high risks to shareholders of the rescue package, the company's latest pronouncements simply ignored the risks.

Dunlop, the spokesman added, was also being irresponsible in not providing shareholders with any hard information about the state of the company.

Sir Michael's letter came just 48 hours before the first closing date of BTR's bid. The company is offering Dunlop shareholders two of its shares for 59 Dunlop, in a deal valuing Dunlop shares at 22p. There is a 20p cash alternative. That compares with a Dunlop closing price last night of 44p, down 1p.

Sir Michael said in his letter that BTR's bid had no chance of success at the current price, and would have to be "massively" increased to stand any chance.

Dunlop argues that its new package will have the merit of allowing shareholders to decide on the merits of its rescue plan. The rights issue would plan to raise about the same as the original restructuring proposals—£142m—and would be underwritten by banks and institutions to provide a safety net.

The company would hope to pitch the rights issue above the 14p proposed in its initial restructuring plan, which would mean fewer shares being issued.

Dunlop's original rescue plan provided for:

● conversion of £70m of bank debt into equity by the issue of £40m worth of ordinary shares and £30m worth of redeemable preference shares. However, following representations by shareholder groups, the banks later agreed to give shareholders the £40m of ordinary shares on a first refusal basis;

● a £43m rights issue on the basis of 12 shares for every five held;

● a placing of £29m worth of new shares with institutional investors.

Henderson Group pays £0.62m for DIY supplier

Henderson Group's P. C. Henderson division has contracted to buy Abru Holdings for £616,000, which is expected to be satisfied either in cash or by the issue of up to 220,000 Henderson shares. The purchase, to be completed next month, is conditional upon the preparation of Abru's annual accounts to February 1985 which are expected to show turnover in excess of £7m and trading profits of over £150,000.

Abru is based in Launceston, Cornwall, and is a supplier of domestic ladders and other aluminium products to DIY stores and hardware wholesalers.

The DIY market is of increasing importance to Hendersons as an outlet for its hardware and sliding door gear products and particularly for the new "Kestrel" DIY garage door.

A new company, Abru Henderson, is being formed as a subsidiary of Abru Holdings to be responsible for the marketing of the full range of Abru and Henderson products to DIY outlets. P. C. Henderson Limited will promote Abru products to builders merchants where it is already involved in the supply of garage doors and sliding door-gear.

Yearlings

The interest rate for this week's issue of local authority bonds is 12¼ per cent, down ¼ of a percentage point from last week, and compares with 9¾ per cent a year ago. The bonds are issued at par and are redeemable on February 26 1986.

A full list of issues will be published in tomorrow's edition.

Ocean Transport

Ocean Transport and Trading has entered a joint venture with Walter Duncan and Goodricke to merge part of their commodity warehousing operations.

They are to combine their respective tea handling subsidaries, McGregor Cory Warehousing and Banbury Tea Warehouses, into a company to be called McGregor Cory Banbury. Annual turnover is expected to total some £5m.

The warehouses also handle a limited amount of coffee and other goods.

F & C Eurotrust

NET ASSET value per 25p share of F & C Eurotrust amounted to 124.9p at the end of the six months to December 31, 1984. This represents an increase of 12.6 per cent over the 110.9p shown six months previous.

Net revenue for the period, which is not indicative of the full year's outcome, totalled £20,100 (£2,000). For 1983-84 the result was £127,400.

Heavitree Brewery

Heavitree Brewery is consulting with its advisers as to the desirability of applying for a quotation on the Unlisted Securities Market.

Currently, the ordinaries are traded under Rule 535 while the preference have a full listing. Mr W. P. Tucker, the chairman, says in his annual statement that the present system creates some problems.

BIDS IN BRIEF

W. A. Tyzack has sold, for £350,000, the Stella Works site in the centre of Sheffield for redevelopment. In order to integrate into a single manufacturing site, the company had already re-located manufacturing operations on the Green Lane site within Sheffield. It is expected that the remaining offices currently in use at Stella Works shall be vacated by the end of March 1985. £190,000 has already been received by the company and the balance will be released on vacation of the office block. The contract requires that vacant possession be given by the end of April 1985.

The figure realised is approximately £190,000 in excess of the value at which the property was included in the company's balance sheet at July 31 1984.

* * *

Williams Holdings has acquired V. Tillotson (Engineering) for £70,000, plus an additional deferred payment of a maximum of £20,000 in cash dependent upon the results for the year 1985.

Tillotson manufactures plastic industrial chain and conveyor systems. Williams already manufactures steel and malleable chain through its subsidiary Ewart Chainbelt and its products are distributed through a network of agents in over 60 different countries.

Net tangible assets of Tillotsons amounted to £94,554 at the end of 1984.

* * *

J. Rothschild Holdings has purchased 350,000 of its own ordinary shares for cancellation.

MINING NEWS

Pancontinental expecting to build on maiden profit

BY KENNETH MARSTON, MINING EDITOR

A FIRST ever profit has been earned by Pancontinental Mining which was formed in 1971 when it was in the process of discovering the big Jabiluka uranium deposit in Australia's Northern Territory. It spent most of the following years unsuccessfully seeking permission to exploit the find.

Pancontinental's profit of A$2.06m (£1.38m) for the first half of the year to June 30 1984, compared with a loss of A$2.62m, represents the first benefits of diversification stemming from the 3 per cent stake acquired in Broken Hill Proprietary's Queensland coal operations.

Mr Tony Grey, Pancontinental's chairman, expects considerably larger profits in the 1985-86 year after the company's Paddington open-pit gold venture in Western Australia comes on stream.

He says that Paddington is expected to have an output of about 90,000 oz of gold a year, making it one of Australia's biggest gold producers.

Pancontinental paid US$75m (£68.6m) for its stake in the Central Queensland Coal Associates and Gregory joint coal ventures last April and has an option to acquire a further 2 per cent for US$50m within a year from that time. Mr Grey declines to comment on whether Pancontinental will exercise the option.

BOARD MEETINGS

The following companies have notified dates of board meeting to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Grosvenor Square Properties, New Cavendish Estates.

Finals:—C.S.C. Investment Trust, Investment Trust of Guernsey, Romney Trust, Updown Investment, Waterford Glass.

FUTURE DATES

Interims:—

High Point Services	Mar 1
Peters (Michael)	Feb 25
Telefusion	Feb 28
Wolseley-Hughes	Mar 8

Finals:—

Amham Millar	Mar 1
British Vending Industries	Feb 28
Williams Holdings	Feb 28

Barrack takes Eastern offer on key stake

AUSTRALIA'S Barrack Mines confirmed yesterday that it has withdrawn from the struggle to take control of the junior exploration company Samantha Exploration, and will be accepting the offer from Eastern Petroleum in respect of the 17 per cent stake it has built up in Samantha.

Eastern's offer was a two-for-one share exchange with a cash alternative of 90 cents, and Barrack will make a profit of more than A$700,000 by accepting, according to Mr Keith Ingram, executive director. Barrack took a share placement in Samantha at 58 cents as recently as last November.

Mr Ingram added that Barrack's acceptance will lift Eastern's stake in Samantha above the 40 per cent mark at which the offer becomes unconditional. Mr David Muller, Samantha's chairman, is expected to accept the offer from Eastern in respect of his own holding.

A majority interest in the profitable Horseshoe Lights gold mine near Meekatharra in Western Australia has been seen as the main prize for whichever company secured control of Samantha, but the latest statement on the ownership of the project from Barrack suggests that Eastern will still not have a clear majority, even if Samantha becomes a wholly-owned subsidiary.

Mr Ingram said that Barrack owns 43 per cent of the joint venture, with 27 per cent held by Eastern, 21 per cent by Samantha and the remaining 9 per cent in the hands of the contractor to the mine, F. K. Kanny and Sons.

Hopes of compromise as talks on Ok Tedi resume

THE Papua New Guinea government resumed talks yesterday with its commercial partners on the future of the US$1.6bn Ok Tedi gold and copper mine, and both sides say they are hopeful that a compromise will be found to prevent the mine's closure, due at the end of this month.

The government, which has a 20 per cent stake in the venture, ordered the closure after a dispute with its partners over the timetable for the second stage of development. The authorities are concerned that the partners may be considering pulling out of Ok Tedi once the initial stage of development is complete in two or three years.

The first stage covers the mining of gold only, and the original joint venture plans call for a second stage during which copper is mined in tandem with gold, and a third stage when only copper will be produced.

The authorities have always maintained that they regard Ok Tedi as a long-term venture which will have a substantial impact on the PNG economy until well into the next century, and the order to close the mine is a measure of their determination to see this plan carried through.

If no acceptable solution can be found with the present partners, Australia's Broken Hill Proprietary and Standard Oil of Indiana's Amoco Minerals with 30 per cent each, and a group of West German interests with the remaining 20 per cent, the PNG Government has indicated its intention of finding other partners.

The authorities say there have been expressions of interest from other groups in the private sector, and last week brought news of an offer from China to form a joint venture to develop Ok Tedi.

Queensland strike hardens

PRODUCTION OF copper, lead and zinc concentrates and metal at MIM Holding's Mount Isa complex in Queensland is expected to be halted in the next day or two following the start of an indefinite strike by about 1,500 tradesmen.

Members of the Trades and Labour Council affiliated unions have walked out in support of a power workers' strike which has crippled industry and business in Queensland. The power shortage stopped production last week at MIM's copper refinery in Townsville which handles all the company's copper production.

Mount Isa's projected output for this year is about 155,000 tonnes of copper, 180,000 tonnes of lead in concentrates and about 380,000 tonnes of zinc in concentrates.

Meanwhile, the Seamen's Union has moved to cut off supplies of crude oil until the power dispute is settled. The two-week dispute, which is deadlocked after a further breakdown in talks on Monday, has led to lay-offs of more than 500,000 workers in the state.

FINANCIAL TIMES SURVEY

Pension Fund Investment

Scheme managers are preparing for battle in an effort to protect swollen pension funds.

Raiders cluster round honey-pot

By BARRY RILEY, FINANCIAL EDITOR

ENVIOUS EYES are watching Britain's swollen pension funds. Far from being able to relax in the knowledge that pension schemes are in better financial health than ever before, scheme managers are preparing to fight perhaps the biggest political battle that has ever been faced by the UK occupational pensions movement.

First, the remarkable figures which illustrate the recent growth of pension funds. In calendar 1984, the typical fund earned a gross return—income plus capital growth—of some 22 per cent according to the preliminary calculations by stockbrokers Phillips and Drew. This was a very long way ahead of price inflation of 4.8 per cent.

Together with continuing net inflows into the funds, P and D estimates that these returns added well over £20bn to total assets, which stood at £126.5bn at the end of last year. This figure has now doubled within a three-year period.

In fact, the statistics for the first half of the 1980s show an outstanding cumulative performance by the funds, more than wiping out the bitter memory of the 1970s. The average annual rate of return in the five-year period has been 22 per cent.

Meantime, growth in prices has averaged only 8.4 per cent a year and has been on a declining trend. Growth in employee earnings, a more relevant yardstick when pension schemes normally link benefits to final salary, has averaged 10.3 per cent (again with a tendency to fall during the five-year period).

Arguably, the recent investment performance has done no more than support the very long-term assumptions made by actuaries in valuing pension schemes. Roughly speaking, these are that taking bad decades with good, investment returns will work out a percentage point or two above wage inflation (which in turn will be 2 per cent more than price inflation).

Only actuaries think in terms of decades, however. There are plenty of powerful economic groupings with much shorter time horizons and they, like bees, are clustering around the pension fund honey-pot.

Among the potential pension fund raiders are:

● The Chancellor of the Exchequer. It will not have escaped his notice that pension funds earned something like £30bn last year in investment income and capital gains, all of it free of tax.

● Parent companies. Pension fund managers report the first clear signs that contribution rates are being cut back. More companies, too, are seeking to take sizeable lumps out of overfunded schemes. But in the UK this has not reached anything like the scale of so-called "asset reversions" in the U.S. where companies clawed back more than $1bn in 1984.

All the same, the furniture group Gomme Holdings announced earlier this month that it is planning to recover something approaching £3m from its staff pension fund which on a November 1984 actuarial valuation showed a surplus of £4.1m on assets of £8.4m.

● Predator companies. Pension funds now amount to substantial hidden assets for many British companies, making them more vulnerable to take-over. But the Inland Revenue's Superannuation Funds Office applies strict rules which make straightforward asset-stripping difficult.

● The Labour Party. This is not a short-term threat, and for the time being the Opposition is speaking out in favour of maintaining pension schemes' tax privileges. But, meanwhile, Labour policymakers are devising plans to force the diversion of pension scheme assets into politically motivated investments.

Yet the most serious threat to the occupational pension funds comes not from the left but the right of the political spectrum. It is still less than two years since the Conservative Party think-tank, the Centre for Policy Studies, began a campaign in favour of personal pensions.

But the challenge has been taken up enthusiastically by Mr Norman Fowler, the Social Services Secretary, and it is expected that a scheme will be included in social security legislation to be introduced in the 1985-86 session of Parliament.

Mr Fowler has assured the occupational pension funds that the new-style personal plans will stand alongside company schemes and are not intended to threaten them.

Nevertheless, draft proposals aired in a public discussion paper last summer made it clear that individual employees would have the right to opt out of company schemes, membership of which is at present often a condition of employment.

Naturally, the National Association of Pension Funds (NAPF) regards any such proposals with the deepest suspicion.

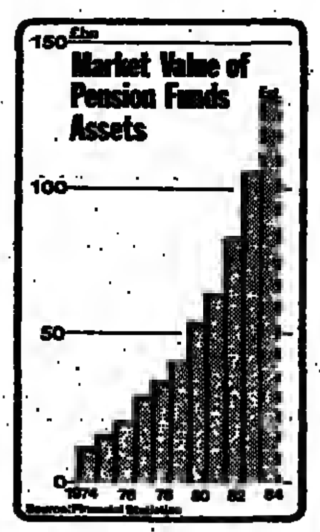
The right wing case against the occupational pension schemes is that they encourage collectivism rather than individuality. There is no clear link between the individual scheme member and the multi-billion asset pools. Only if individuals gain responsibility for their own assets will there be the basis for a true people's capitalism.

Such ideology does not cut much ice in the City of London, but the big fund managers do not take such an alarmist view as bodies like the NAPF. For the merchant banks and other investment groups a swing towards personal pensions will require considerable shifts in internal structure and external marketing strategy, but there could be compensations. After all, the management fees on personal plans tend to be much higher than on the corporate funds where 1 per mil (0.1 per cent) is the order of the day at the top of the size range.

At any rate, the big merchant banks are busy positioning themselves for potential new opportunities in the individual pensions market. Morgan Grenfell has bought its way

CONTINUED ON NEXT PAGE

LEFT: Mr Norman Fowler, Social Services Secretary, who has enthusiastically campaigned for personal pensions. RIGHT: Mr Nigel Lawson, Chancellor of the Exchequer. It will not have escaped his notice that pension funds earned around £30bn last year in investment income and capital gains, all of it free of tax



LEFT: Mr Roy Hattersley, Shadow Chancellor. Labour Party policymakers are devising plans to force diversion of pension scheme assets into politically motivated investments. RIGHT: Mr Leslie Gomme, chairman of Gomme Holdings, which is planning to recover some £3m from its staff pension fund

IN THIS SURVEY

Trade relationship rethink made necessary

Sir Nicholas Goodison, chairman of the Stock Exchange—at the centre of City reform

City Revolution

BARRY RILEY

LAST October Robert Fleming raised its direct investment management charges to pension fund clients by anything from 10 to 60 per cent, explaining that this was the consequence of a change in the way commissions on share deals were being charged to clients' accounts.

Next month the investment management department of J. Henry Schroder Wagg, which like Fleming is in the top three in terms of UK pension funds under management, will move out of the parent merchant bank's Cheapside headquarters and set itself up in separate accommodation a few hundred yards away in Old Jewry.

These apparently unconnected events are just the ripples on the surface which warn of much more fundamental developments to come. The City of London's revolution is under way, and the leading investment houses are now grappling with the implications.

The revolution is centred, of course, on the changes taking place at the Stock Exchange. Ownership of nearly all the major broking firms is passing to banks and other financial institutions, and the system of trading securities in London is being radically altered.

This, together with the opening up of London to international competition, is forcing a rethink of all kinds of trading relationships. Internal rules have to be devised and then enforced by the new integrated securities groups, to avoid the charge that their clients may grow suspicious that conflicts of interest are working against them.

In any case, the Government is planning legislation to modernise the procedures for the protection of investors, and although the planned Securities and Investments Board will be primarily concerned with protecting small investors—leaving professional investors like pension funds with a greater responsibility to look after themselves—the Government will also be keen to ensure that the City maintains the highest standards at all levels of its operations. Success as an international financial centre will depend upon both high ethical standards and commercial competitiveness.

The council for the Securities Industry, the City's umbrella body which will in due course hand over to the statute-backed SIB, last month produced a lengthy draft code of conduct on conflicts of interest.

Among the issues it dealt with were the need for higher standards of disclosure, and the limitations on the acceptability of "Chinese Walls," the internal barriers which are intended to prevent price-sensitive information leaking from one part of a financial organisation to another.

"Full and fair disclosure of all material facts and interests shall be made to a client," says the code of conduct.

Exactly what this means is far from clear at this stage, but in the case of the pension fund client of a merchant bank many different disclosures could be required.

Remuneration from issues sponsored by the bank and sold to the client, involvement in takeover bids for other corporate clients, in which the pension fund holds shares, and rewards from various financial services (of which banking services would be an obvious example) could all require specific itemisation.

As it happens, the major interest which merchant banks (and some other institutions) have in the dealings of their investment clients will actually be largely removed by the structural changes taking place in the City.

Most merchant banks at present write their own contract notes for dealings on behalf of their clients. They charge the appropriate Stock Exchange commission rate for the particular size of deal booked for an individual fund.

In practice, however, the managers will deal for several, perhaps many, clients at one time. They are entitled to retain for themselves the benefit of "aggregation" (the Stock Exchange scales allow much smaller commissions on big transactions) and "continuation" (fund management houses are allowed to claw back commissions over a three-month period when they deal in the same share consistently with the same broking firm).

With relatively small clients these benefits can be considerable, possibly almost doubling the manager's contractual charge, though they are less significant for big funds which in any case deal in sufficient size to qualify for favourable scale commission rates.

Merchant banks argue that it all comes out in the wash, but independent managers and insurance companies have complained bitterly about such merchant banking practices, arguing that they are unable to compete on equal terms.

Stockbrokers have been in a still more extreme position, because normally they do not charge at all for managing pension funds—deriving all their income from commissions on transactions.

But with the abandonment of the Stock Exchange commission scale as from late next year, these back door charging methods will have to be abandoned. In fact, as the Robert Fleming case indicates, some banks are seeking to anticipate the inevitable, and a general trend towards more direct charging can be expected in the next year or so.

As one wrinkle is ironed out, others are appearing. The merchant banks are going directly into broking and market-making in UK securities. Should they deal in-house for their investment management clients, and if so, on what terms?

For the time being, taking the same two banks as examples, Schroder has decided not to transact any business with its broking arm Herbert Wagg, but Fleming will trade on clients' behalf with its dealers in UK electrical shares so long as it receives their prior agreement.

Some ground rules for such dealings will presumably have to be worked out as the City develops codes of conduct to control this kind of conflict of interest.

The CSI, in its document last month, placed considerable emphasis on the scope for separation of such activity within a group. A simple "Chinese Wall" was not greatly praised. Such divisions might need to be backed up by separate incorporation and/or by physical separation in different locations.

The fascinating question is whether such separation might loosen the tight grip which merchant banks have on pension fund management in Britain.

They won the business in the first place very largely because they had access to corporate clients through their corporate finance and banking activities. Moreover the parent banks have appeared to be willing to cross-subsidise the investment business, at least during some periods like the mid-1970s.

Now the independent management houses like Geoffrey Morley and GT will be heavily underlining the possible advantages they will have in a deregulated City environment—being able to shop around for the best terms and best deals without any pressure to transact business through an associate.

In practice, the famous names of the big merchant banks will continue to carry weight in the market place. But the investment management offshoots of these broadly-based organisations will have to be prepared to spell out their relationships and responsibilities in a way that has not been necessary in the past.

Raiders cluster round honey-pot

CONTINUED FROM PAGE 1

into Target Life, for instance, and Schroders is just one of the banks to be reshaping the marketing of its personal investment prodncts, including pensions.

Elsewhere, the big life assurance offices see personal pensions as falling within their natural sphere of dominance, and as offering scope to regain some of the ground they have lost through their weak showing et the top end of the corporate market.

Even so, the life offices do not wish to alienate their corporate customers in the small and medium sized company sector, and many insurers have maintained a low profile. An exception has been Legal and General, which is pushing hard for personal pensions, while insisting that a proper balance can be maintained between individnal and corporate schemes.

The specialist unit trust groups have no inhibitions, of course, in pressing the case for personal pensions for employees; many have already done well out of the growth of self-employed pensions. So, Save and Prosper, for instance, has been a prominent backer of the Fowler plans.

In doing so, such management groups are confident that the Government's eventual legislation will go only part of the way towards the CPS's original dream of direct participation by the masses in the stock market.

Essentially, it will be a case of investment funds flowing to one kind of City institution—with retail marketing expertise—rather than to another kind with the ability to pick up big corporate contracts, a game at which the top merchant banks have shown themselves to be pre-eminent.

Already the pension fund management business has become fiercely competitive. Small investment houses complain that even the biggest operators like Warburg are to be found pitching aggressively for the investment management contracts of comparatively modest pension schemes.

But there could be a still more anxious scramble for business if new legislation or taxation slows down the pace et which funds accrue, or opens up the field to a range of new competitors.

All this comes against the background of the restructuring of the financial markets of the City of London. The remodelling of the Stock Exchange and the introduction of e new statutory framework for investor protection both have profound implictions for the conduct of firms within the investment industry.

While companies and their pensions officials nervously await next month's Budget, their investment advisers in the City of London are preparing for e period of uncertainty which could last not just for a month but possibly for several years into the future.

Changes would have far-reaching effects on financial markets

Tax Policy

CLIVE WOLMAN

OF ALL the tax changes the Chancellor is believed to be considering for next month's Budget, the taxation of pension funds' investment returns would have the most far-reaching consequences for the UK financial markets.

Even the imposition of tax at a rate as low as 5 per cent would require fund managers to undertake some radical re-thinking of their asset allocation, portfolio strategy and dealing techniques.

Any change in policy would have e major impact on the UK stock market where pension funds own over 30 per cent of UK equities and over 25 per cent of long-dated and medium-dated Government "gilt-edged" securities.

Since 1921, pension funds have been granted an exemption from both income tax and capital gains tax in virtually all circumstances, although the Inland Revenue has occasionally muttered threats about imposing tax on over-active trading or on the use of futures contracts.

In the current fiscal year, the Government estimatee that the cost in tax foregone of the exemption on investment income alone will be £2.5bn.

The Chancellor is now seen as having the following options if he wishes to extract some form of tax from the investment returns of pension funds, which over the last four years have been running at a rate of nearly 15 per cent per annum in excess of tbe inflation rate:

- To subject only the funds' investment income to tax, probably at a rate of 5, 10 or 15 per cent, although a full basic rate (30 per cent) tax charge remains an outside possibility.
- To impose tax on the funds' investment income as above, but also to impose capital gains tax on all realised gains on the same lines as current insurance company taxation.
- To impose a tax on the funds' total return each year, as made up by both investment income and capital gains (whether realised or not). In this case, the tax rate is unlikely to be more than 10-15 per cent.
- To impose a tax on the funds' total returns each year but only after edjustment for inflation. In this case there would be some justification for a rate of as high as 30 per cent.
- To impose a one-off levy on the total assets of pension funds, perhaps at a rate of 2 per cent, following the same principle as the tax on the banks' excess profits in 1981.

Each of these proposals has its own drawbacks and problems from the point of view of both the Government and the pension fund investment managers.

Strong incentive

To tax merely the investment income of pension funds would create a strong incentive for the managers to convert income into capital gains.

If tax was imposed at the full 30 per cent rate, tha most important effect would be on the gilt-edged market. At present pension funds are the largest group of holders of high-coupon gilts on which the yields are artificially high as they are substantially less attractive to any taxpaying investors.

But provided the exemption was continued from paying capital gains tax on gilts (or at least on gilts beld for more than one year), pension funds may find low-coupon gilts and index-linked gilts more attractive.

The effect would be further to widen the difference in the redemption yields of low-coupon and high-coupon gilts, even if the Government broker proved co-operative in attempting to satisfy the new demand.

Pension funds would also be more tempted to invest in overseas bonds, particularly low-yielding or zero-coupon securities. Any such tendency would raise the cost to the Government of servicing its long-term debt.

One advantage, from the Government's perspective, is that taxing pension funds would reduce the dealing in gilts on the days just before they go ex-dividend, wben taxpayers eell their stock to tax-exempt institutions who will escepe the dividend tax.

After such a reform, the only non-taxpayers available to cooperate in such activity will be charities and eome foreign institutions.

As far as equities are concerned, the effects will be smaller, although there should be e greater incentive to invest in overseas equities. Pension funds should no longer suffer e withholding tax penalty on foreign dividenda as double tax relief will be available.

If capital gains tax was also imposed on pension funds following insurance company taxation lines, one form of tax evoidance would merely be replaced by another. In particular, pension funds would have a strong incentive to defer the reelisation of any capital gains. This would reduce the liquidity of the markets in equities and gilts and, after allowing for index-linking, would produce very little extra Government revenue.

An annual tax on pension funds' total returns would remove most of the distortions thrown up by an income-only or capital gains tax.

The standard objection to a "total returns tax," that it is often difficult to evaluate unrealised gains or to find the cash to pay the tax, would not apply to pension funds. Their total investment returns, on a time-weighted basis, are normally calculated annually anyway.

There would, bowever, bave to be special rules for valuing and taxing property which accounts for about 12 per cent of pension fund assets.

As Mr David Peacock, bead of the taxation committee of tha Association of Consulting Actuaries, says: "Pension funds are the one group of investors on which it would be simple to tax their total returns."

The taxation of total nominal returns would however be arbitrary in the sense that, in periods of high inflation, pension funds may still heve to pay tax even if their real returns were negative.

But if full retail price indexation were permitted (including the conversion of e nominal gain into a real loss) so that only real gains were taxad, and if real losses could be carried forward or back on corporation tax lines, a tax rate of 30 to 50 per cent would not be excessive.

Such a tax on total real returns would clearly require an increase in pension fund contributions if the same level of benefits were to be maintained. But some of the claims made by, inter alia, the Life Offices Association, that increases of 75 per cent would be necessary are based on extreme and unrealistic assumptions ebout the maturity of pension schemes, the level of taxation and the rate of nominal returns.

Shortfall

In practice, whereas actuaries currently assume that pension funds can achieve a long-term real return of about 3 per cent, in future this figure would have to be lowered to only 2.1 per cent. This shortfall would have to be made up by typically a 6 to 8 per cent increase in contributions.

From the Government'a perspective, such a tax would only be a very crude and approximate way of achieving fiscal neutrality between pension funds and other forms of savings and investment.

The reletive tax burden faced by, for example, unit trusts would vary according to factors such as inflation rates, dividend rates, rates of total return and the marginal tax rates of the individual investors.

On the other hand, whereas a total real return tax would be closest to the principle of a comprehensive income tax, there would be great assessment and compliance difficulties if it were to be extended to the taxation of direct holdings by individuals.

Aim is not to threaten company schemes

Personal Pensions

ERIC SHORT

THE whole concept of personal pensions, first put forward less than two years ago by Nigel Vinson (now Lord Vinson), was to break up the employer pension structure, with its underlying assets, by allowing employees to make their own pension arrangements which they could take with them from job to job.

Nigel Vinson had the grand vision of deinstitutionalising pension investment and eharing the assets among employees so that each had his or her own pool of savings set aside to provide a pension.

These personal pension arrangements would have included, under his ultimate concept, individuals being able to use these savings to start a business or buy a house.

The Government fully supported this vision of a share owning democracy to go alongside a property owning democracy, and has introduced a major move towards this aim in the current Social Security Bill.

This provides employees changing jobs with the automatic right to a transfer payment from their old scheme in lieu of e deferred pension.

At the moment, this transfer value can only be used either to take to the new employer's pension scheme or invest in e buy-out annuity from a life company. But the Bill provides for investing that transfer payment in any other pension arrangement approved by the authorities.

However, the Personal Pension document, unveiled by Mr Norman Fowler, the Social Services Secretary, last July is extremely cautious on this point of breaking up occupational pension schemes.

Mr Fowler in the forward to the document, reaffirmed his determination that employers' pension schemes would continue to play their present vital role in the UK pensions structure. He also claimed that the personal pension scheme had been devised as a system that would sit alongside and not threaten existing company schemes.

This would certainly appear to be the situetion, since under the proposals employers would not be required to contribute more than the National Insurance contracted-out rebate towards an employee'e personal pension.

This in itself makes personal pensions unattractive against e company scheme. The rebate is currently 4.15 per cent of earnings, compared with an average 12 per cent which employers are paying into their company schemes.

Mr Fowler'a caution did not stop there. The personal pension proposals were very wary of allowing employees unfettered freedom to invest their personal pension savings.

The document tentatively put forward the view the providers of personal pensions may need to be restricted and it sought views on who should be allowed to offer personal pensions and on the range of investments permitted.

Nigel Vinson in his proposals argued that individual investors would be far more adventurous in supporting new industries than pension fund managers. Mr Fowler is obviously very wary on this point, since it would be the National Insurance fund that would have to cover any shortfall in the ultimate pension.

So his document suggests that personal pensions could be offered by life companies, already well established in this field, banks, unit trusts and building societies—not the way to deinstitutionalise pensions.

However, Mr Fowler also asked whether stockbrokers should be allowed to offer personal pensions—a move towards individual share portfolios.

Life companies are divided over their attitude towards personal pensions. Save and Prosper has spearheaded the drive by the newer life companies into full blooded advocacy for personal pensions. The more traditional companies have strongly urged caution on Mr Fowler. Prudential Assurance even spent £400,000 distributing its own booklet to the public, explaining the situation.

Bnt Mr Fowler has repeated the Government's determination to introduce a system of personal pensions, and life assurance salesmen are gearing themselves up for a massive attack on this market—the Chancellor permitting.

The life companies fully expect to see a strong rise in their pensions business following the introduction of a personal pensions system, despite the apparent lack of attractiveness of the current proposals.

Life salesmen should have little difficulty in getting round this defect, especially as employers, to date, show little inclination to spend time and money selling their company schemes.

Unit trust groups which are pressing for employees to be allowed to invest direct into unit trusts, rather than be forced to go through a life company contract, anticipate a strong rise in business.

But all admit that the lion's share of personal pensions business is likely to be taken by the building societies, simply because most individuals trust the societies and like the prodncts offered.

Tha societies have taken nearly one-quarter of the Additional Voluntary Contribution market without too much marketing efforts and could expect even greater success from personal pensions where the individual has to make his own choice.

This has certainly been the experience in the U.S. where, under the personal pension provision in that country, the vast majority of employees have put their pensions savings in deposit type investments.

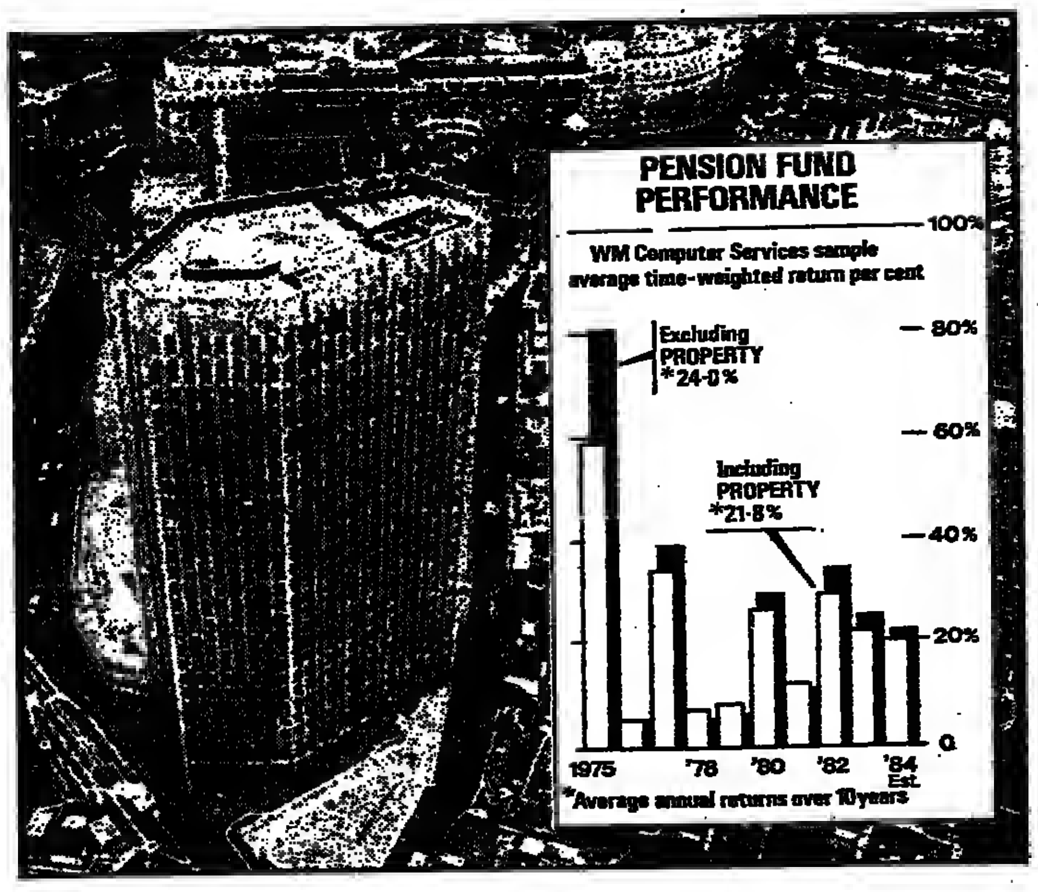
With employers having the right to a transfer payment, company schems can expect an exodus of employees, including those changing jobs, taking their share of the assets with them. The Bill gives employees the right of e transfer value, not just at the time of leaving but at any time subsequently to within a year of retirement. So schemes may need to trim their investment strategy to ensure sufficient liquidity to meet these payments.

However, company pension schemes do not have to sit and watch employees being lured away by glib talking salesmen. The personal pension proposals put forward the idea that the pension funds themselves should be able to offer personal pensions.

Although no details are given, presumable the intention is for employers to be able to offer money purchase pension arrangements in lieu of the final salary company benefits, with the employee still coming under the company death-in-service widows arrangements. The investment of the money purchase personal pension would presumably be undertaken by the sche eminvestment managers.

This latter move represents interesting possibilities since it would cut out the salesman and offer the prospect of higher benefits to the employee.

Meanwhile, the pension industry awaits Mr Fowler's next draft of personal pensions which bopefully will answer many of the qnestions arising from his original proposals.



More use of computers

Strategies

CLIVE WOLMAN

COMPUTERISED investment programs have traditionally been dismissed by UK fund managers with the claim that investment is an art and not a science, and that intuition and experience count for more than mathematics logic.

But over the past two years, a decade or more after its debut on Wall Street, such computer software has started to appear in the offices of City fund managers. Its functions can be to serve as an aid to asset allocation decisions, to assist in individual stock selection, or even to oust individual stock selection by constructing a passive "index-matching" portfolio.

For many years stockbrokers and fund managers have used computers as bases for data on UK companies, and for carrying out mechanical tasks such as spotting anomalies or comparing yields on Government securities and other bonds.

More recently there has been growing acceptance of the active role of the computer in participating in decision-making. At the very least the computer can act as a check on the fund manager, forcing him to make explicit the assumptions underlying his view of the economy, the stock market, a particular industry or a particular company.

This is the role that computer software plays in assisting the asset allocation decisions at Postel, the UK's largest pension fund with assets of £9bn.

The program, installed four months ago, is designed to achieve the highest expected return for any specified level of risk, or to minimise the risk for any level of expected return by indicating the optimum allocation of the pension fund assets between UK equities, different foreign equity markets, conventional gilts, index-linked gilts and property.

The projections of the computer are inevitably made by a process of extrapolation from past trends of yields, total returns and riskiness as measured in terms of the standard deviations of actual returns from the long-term trend line. Most of Postel's price data goes back at least 11 years.

Such a process of extrapolation, however sophisticated, is mechanistic and can produce radically different results depending on the length of the historical period on which the extrapolation is based.

If the fund manager holds the view that, for example, the high levels of inflation from 1972 to 1982 were an historical aberration unlikely to recur — and therefore the fund ought to invest heavily in long-dated conventional gilts — he will at least have to think through and justify his decision to deviate from the computer model.

Subsequently, the accuracy of his judgment can be continually monitored and adjusted where necessary.

The Postel asset allocation computer model allows the fund manager to manipulate the model by modifying the computer's assumptions to accord with his own. This is done, for example, by increasing the riskiness (volatility) of property investment.

At the level of individual stock selection, several brokers and fund management groups—Hill Samuel for example—have been using dividend discount models for several years. These again force the fund manager to make explicit his assumptions about the long-term earnings growth potential of the companies that are candidates for his investment portfolio.

Fund managers more attuned to short-term trading considerations, can now make use of the technical computer models, developed mainly in the commodity and currency markets, which forecast short-term price trends by using such devices as moving averages, and over-bought/oversold indicators.

Their record in the futures markets over the past two years has been poor, with a few exceptions such as the Anderson and Mann Mint fund. Most UK pension fund managers use them only as an aid to fixing the precise timing of a buy or sell decision, if they use them at all.

The most common use of computer models in the stock selection decisions of U.S. fund managers is to control the level of portfolio risk. The models almost invariably rely on some version of Modern Portfolio Theory to distinguish between the market-related volatility of individual stocks and their specific risk which can be diversified away.

In the UK, as in the U.S., academic institutions, such as the London Business School, have led the way in developing such models.

The most extreme application of this approach is represented by the index-matching funds. For cut-rate management fees, they seek to match precisely the returns on some broad measure of the fortunes of the stock market by investing in all, or in a large representative sample of all, the stocks that make up an index.

If only a representative sample is used, computer programs play an essential role in ensuring that the likely volatility of the portfolio more or less matches that of the index.

In the U.S., after several years of little growth, index-matching funds have recently been enjoying a major revival and now control assets in excess of $60bn. The main reason has been the substantial under-performance of U.S. pension funds relative to the Standard and Poors 500 index in 1983 and 1984.

In the UK, index-matching funds have been slower to catch on. The lead so far in adopting U.S. computer packages to the UK and other stock markets and promoting them has been taken by County Bank, Barclay's Investment Management and the U.S. pension consultants, Frank Russell. They have won the management contracts for several small funds, but have yet to persuade any of the giants to come over to their camp.

One refinement to such funds that has recently become more popular in the U.S. is the addition of an option to "tilt" the fund so that it matches the stock market index in all respects save one or two on which the fund manager has very strong views.

For example, a fund may have three times the weighting in the oils sector while the remainder of its equity portfolio reflects all the other sectoral weightings in the index. The AT&T pension fund is currently usiog an index fund tilted towards small capitalisation stocks.

Higher emphasis is placed on value for money

Performance Measurement

ERIC SHORT

ONE major development in pension fund investment in recent years has been the growth of performance measurement of underlying investment assets.

From very simple beginnings a decade ago, when performance measurement was concerned with providing an overall return on funds, measurement has now become a highly sophisticated in-depth analysis of funds and fund managers, covering all aspects of investment.

The demand for such sophistication is coming from two sources— the trustees and the investment managers themselves.

Pension fund trustees are much more aware of their responsibilities concerning all aspects of pension scheme management, thanks to the various training courses now available to trustees. Gone are the days when trustees simply rubber stamped the advice and reports of managers.

Now trustees are demanding value for money from their investment managers and are prepared to change managers if performance fails to come up to standard over a reasonable period.

It appears that investment managers have a five year period to justify themselves, though some trustees and employers are more demanding and expect results over a shorter period.

Thus to form a judgment on the investment manager, trustees are asking for more comparative information, and indeed are often looking for an independent assessment from an outside body on a fund's performance. Trustees want to know not only what has happened but why it has happened?

Investment managers are also seeking an independent assessment of their performance. They are aware of the consequences of poor investment performance on their jobs and need to know at an early stage how they are doing.

The marketing of investment management services to pension schemes has become very aggressive. Managers are getting these regular reports on investment performance in an effort to obtain new clients or retain existing ones. Individual managers are using the assessments on their funds as part of their curriculum vitae when seeking new employment.

However, sophisticated performance measurement services require comprehensive data bases from which to make the measurement. The recent development of measurement has concentrated on getting necessary data.

Performance measurement now usually operates on the following lines:

● Firstly has the fund achieved its primary object, which is to outperform earnings inflation in line with the assumptions made by the actuary in determining the fund rate? Actuaries vary in their assumptions, but a 1 or 1½ per cent real rate of return over earnings is the norm. Over the past few years funds have had little difficulty in surpassing this target, though over longer periods it is a somewhat different tale.

● Secondly, comparison is being made with other pension funds. Trustees want to know how has their investment manager or managers performed against other managers under broadly comparable conditions. This is now the most important yardstick applied by trustees in their assessment of managers. Many set the target that managers are consistently in the top quartile for performance — a difficult target.

This requires the person doing the performance measurement to have access to the performance of a wide spread of pension funds. The unitised managed funds or exempt unit trust funds can be easily monitored, since their unit prices are publicly available. It is a different picture with segregated pension funds.

Specialisation

Performance measurement is now carried out by three or four firms which specialise solely in that function — WM Computer Services, Combined Actuarial Performance Services (CAPS) and Cubie Wood being the leaders in this field.

These companies have a sufficiently large range of clients to provide the necessary base for measuring against other companies. The service provided by these companies will show the position of a particular fund relative to the others, while still retaining confidentiality.

● Finally, any investigation into reasons for the good (or bad) investment performance—sector and stock analysis—needs to make comparisons with indices representing the movement of a market or a particular sector of the market.

Equities and fixed-interest stocks are readily capable of measurement and there are now indices for all major world stock markets available for persons measuring performance.

There is still some unrest over

the only widely used index of world equities — the World Capital International Index. An analysis of portfolio selection by country still requires a lengthy country by country comparison.

However, the measurement of direct property performance is currently in a state of flux and there is considerable debate over measurement of property performance.

There are two particular problems — the first being the valuation of the actual property. This is still very much a subjective matter and there are considerable variations in valuation methods between estate agents.

Second an index should be representative of the whole market it attempts to measure. The FT Actuaries All-Share Index now covers over 90 per cent, by value, of quoted UK equities. But there is no comparable global aggregate of property values.

Instead each estate agent agent seems determined to run his own index based on the properties which his firm values. Besides such moves not producing indices that are independent, such a move does not even out the differences in valuation methods.

However, attempts to combine the valuations of the major estate agents, perhaps under the control of the Royal Institute of Chartered Surveyors, have got nowhere.

Property is still an important part of most pension fund portfolios, despite its indifferent showing over the past two years. Sophisticated measurement methods for equity and fixed-interest holdings would be pointless if those used for property remained crude.

Institutions make cautious return

Property

MICHAEL CASSELL

LIKE THE TENANTS themselves, the investing institutions have been making a cautious return to the commercial property market.

As a portfolio option, property has recently been unable to compete with the returns available from most security markets. And while there is only patchy evidence to suggest that the relative position will change significantly in 1985, the outlook appears to be brighter.

Property hit rock-bottom in 1983, with institutional investment in the sector falling by 25 per cent from the previous year to produce a net investment total of £1.5bn.

While the cash flow to the major institutions rose by around 7 per cent during the year, property's share of investment actually fell by half to only 8 per cent of new funds. Net spending on property was at its lowest level for over 10 years.

In early 1984, there were few signs that institutional attitudes towards property were going to change significantly but activity later in the year suggested that some revival in interest—based on signs of an improvement in the direct marketplace—was underway.

That revival is now widely expected to be maintained in 1985, though it seems likely that many investors will not actually re-enter the market until there is wider evidence available on the prospects for rental growth.

A major factor to be taken into consideration is that some pension funds—and even more insurance companies — have managed to create a mature and balanced portfolio, increasing the likelihood that their future interest in property investment will be increasingly selective.

It seems inevitable that a growing proportion of funds will in future only consider property investment opportunities with a low risk profile and good performance potential, though that approach could hardly be said to represent a major shift in previous attitudes.

However, while there are differing views over the extent and pace of any improvement in performance and, consequently, in investment activity, there is general agreement that UK property markets have undergone the type of transformation which will demand a fresh approach from investors.

From now on, an increasing proportion of institutional resources earmarked for property will need to be directed towards improving existing portfolio assets and there are signs that, as far as pension funds are concerned, the process is already underway.

The weak accommodation markets have clearly highlighted marginal investment properties while lower inflation has further underlined the impact of depreciation and obsolescence.

Actual disposals, however, have so far remained limited, certainly when compared with the sales activity being registered by the insurance companies, which have been adopting a much more active trading stance. Most of the sales have involved secondary, higher-yielding properties to non-institutional buyers.

Investors have quickly come to realise that property which once performed well has now become outmoded and, in what is likely to remain a conspicuously occupier-led market, failure to modernise could prove much more costly than the work itself.

Neither can the property owner merely rely on location to provide a premium performance. Growing numbers of occupiers have, in a string of recent decisions, shown their readiness to make quality of accommodation an equally important factor.

Landlords are having to make some fine judgements about the viability or otherwise of refurbishment schemes and there are properties stuck on the market which illustrate the risks involved in modernising a building on which no amount of expenditure will eclipse its inherent disadvantages.

The principal source of demand for property is generally expected to continue to come mainly from the newer and expanding sectors of the economy which have very definite requirements in terms of accommodation and image.

This increasing selectivity means that a uniform, institutional standard of specification will no longer be suitable for many occupiers and that a more flexible, imaginative approach will be required on the part of investors and developers.

John Sloan of Richard Ellis, the estate agents and surveyors, says investors must adapt to the impact of occupier-led markets: "It will no longer be possible for investors to impose their standards and requirements on ingoing tenants, but rather they will need to provide the specification and attentive management services required by discriminating occupiers."

That flexibility will have to be extended to portfolio policy as well as to individual properties. According to Mr Sloan: "Prudent investors will not in future engage in purchasing property for its own sake, but will structure a portfolio to coincide with the risk-return relationship they require. In the past, investors have had an implicity tendency to expect similar performance from all their property assets."

"Future portfolio strategy will be concerned with defining the purpose and targets of individual assets in the portfolio. We have already seen that active management of secondary properties can produce better performance than less management intensive prime investments." Mr Sloan adds: "Segmentation of the property market has not yet been fully reflected or acknowledged in the current yield structure."

Nevertheless, however much time and effort is put into maximising values of existing properties, pension funds will remain keen to push a proportion of investment funds into new schemes, which are likely to show better future returns.

One problem which the institutions already acknowledge is that a significant proportion of the next generation of developments will have to provide the large floor areas being demanded by occupiers, particularly in the financial services sector.

Ownership of huge office blocks may have provided excellent returns in the past, and may well continue to do so in future for some landlords, but the limited investment market for large-scale properties makes them the least liquid of assets in a highly illiquid market.

In addition, the sheer costs involved in major new schemes can be prohibitive even for the institutions, who feel increasingly less comfortable with such large, individual buildings.

The next 12 months is likely to see the formulation and introduction of a series of investment devices to make co-ownership of property an available option—one which many pension funds might be happy to contemplate.

Syndicated investment in property has not caught on in the UK as it has in the United States, primarily because of the different tax climate and because of legislation which can make pooled investment problematical.

There are, however, clear benefits to this type of investment—not least more flexibility and liquidity—and there is little doubt that a variety of schemes are about to emerge. They will undoubtedly offer all things to all men, but in reality they will simply provide another option.

Forestry is one sector that rarely crops up in pension fund investment. Postel Investment Management, which looks after the funds of both the Post Office and British Telecom, is one fund which has gone into forestry to a limited degree

Occasional off-beat forays

Minority Investments

TERRY GARRETT

CONVENTIONAL wisdom in the pension fund investment sector is to be just that . . . conventional.

Fund managers may spend hours debating the merits of rather off-beat investment mediums but in the mainstream it is marketable securities—either equities or bonds—across the international spectrum combined with a fair degree of property exposure, which dominate portfolios.

No doubt at the margin there are some curious assets which could be unearthed lurking in a few portfolios, but even the most adventurous of fund managers would commit no more than, say, 5 per cent of a portfolio to areas beyond the mundane parameters of stocks, bonds and bricks and mortar.

Of course there are exceptions. Probably the most publicised investment bonanza outside the norm—and one which still bubbles to the surface when the subject is discussed—was the British Rail Pension Fund's foray into fine art investment during the 1970s.

Before it stepped pouring money into fine art early in 1979, the fund had committed around £28m in the previous four years on buying 1,600 objects.

The world of pictures and porcelain aside, there are a number of areas where fund managers like to get involved, to varying degrees, outside of the usual portfolio assets.

The extent that they can indulge such ambitions obviously depends upon the size of the underlying fund, but such investments as venture capital pools, forestry, and index-linked house mortgage funds do occasionally crop up.

Yet "occasionally" is the word. Even in the fashionable area of venture capital there is only a very limited number of pension funds willing to take direct investments in what are inevitably above average risk companies.

Perhaps one reason for this reluctance to follow through the talking with hard cash is the sector's indoctrination to play safe. And rightly so, for managers are responsible for looking after savings on a long-term basis. An individual coming up to retirement is not going to be impressed if pension expectations are diminished by an unsuccessful punt on commodity futures or what-have-you.

Another stumbling block is the cost of tackling a market which is beyond the normal field of knowledge. Any investment outside of the ordinary broad categories has to be made with sufficient commitment to have a real impact on the fund's performance, otherwise it is simply dabbling in minority investments for the sake of it.

If a fund is going to commit a material amount of its portfolio it has to be sure of itself—and that means getting the best possible advice on board. That is just not justified for many funds outside of the big institutions.

So it is probably easier for the more energetic of the managers to be unconventional within the traditional investment mediums—it is a view expressed by Geoffrey Musson, investment manager of the Merchant Navy Pension Fund and chairman of the Investment Committee of the NAPF, which no doubt finds plenty of sympathy with the more aggressive funds.

After all, in the fifties pension fund investment in the property sector would have been regarded as bizarre. Now it would be highly unusual to find a fund without some exposure. Even the smallest will have a stake, albeit through a separate property investment or unit trust.

To be exceptional in property now you probably have to be looking at residential investment. With rent restrictions and the general legislative tangle that can surround residential property, institutions have understandably steered clear.

Yet two or three years ago a small number of specialist vehicles were launched in an attempt to revive pension fund interest in residential property. Perhaps the best known of these is the Building Trust, established at the beginning of 1982 as a route for fund managers to invest in index-linked mortgages.

Without getting into too many details of the scheme—which is of more interest to the borrower than the investor—the concept is to charge a borrower a reduced rate of interest on the loan in return for an equity stake in the value of the house. So the Trust, and its pension fund backers, can share in the appreciation of house values without the headaches of direct ownership.

But as the Trust's stake is calculated by direct reference to the published House Price Index, rather than the rise in the price of specific properties, the appeal for fund managers is more to do with the index-linking of capital rather than the attraction of residential property as such.

Staying with the property theme one sector that rarely crops up in pension fund portfolios is forestry even though agricultural investment has become commonplace.

There are probably only a handful of funds that could claim to have any exposure to speak of—other than a copse accidently caught up in the middle of a farm. Postal Investment Management, which looks after the pension funds of both the Post Office and British Telecom, is one which has gone into forestry to a limited degree.

Postel tackles it in two distinct ways. One aspect is a leasing arrangement whereby the fund acquires the bare land which is then leased to individuals who can take advantage of tax breaks to undertake planting. There is an immediate income stream from the rents and there are provisions for the fund to take over the estate as the trees become mature.

The second form of investment is to purchase existing estates which are already 20 or 30 years down the line towards the day when the trees turn into a saleable crop. And then? —well that point has not been reached yet, as it takes softwoods some 50 years to mature.

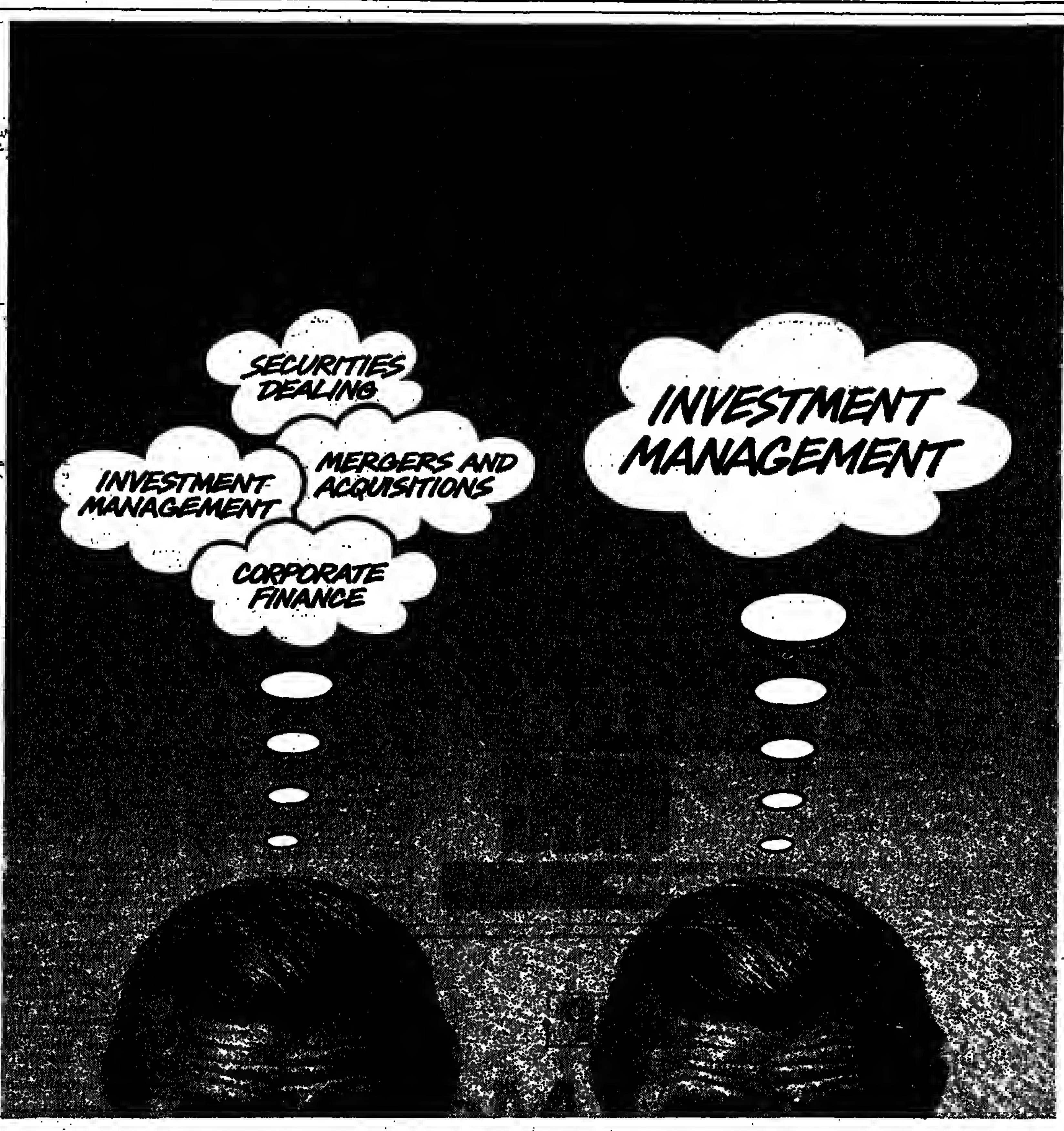
As mentioned earlier, another minority investment which has taken a high profile in the City over the last few years is venture capital. A number of pension funds are willing to get involved in syndicated investments for the high-risk areas of business start-ups and development capital, but the list is actually not as long as the amount of interest in the sector would suggest.

This probably goes back to the safety factor again. If venture capital is going to live up to its name then it is high-risk investment with an initial low return.

The mighty Prudential, for example, which boasts Pruventure, Prutec and Barnard among its activities (all variously aimed at venture/development capital) is not yet putting its pension activities into this field.

So far it is its life fund managers that are involved and it will be some time before the pension fund managers will have a vehicle that they feel is sufficiently proven to offer to the outside pension funds they advise.

Esoteric investments may add some spice to a fund manager's day and, for better or worse, they can earn him some notoriety. However, when it comes down to looking at the average portfolio it usually turns out to be an acceptable package of very normal investments.



Boom conditions have come to an end

The U.S.

WILLIAM HALL

"AS JANUARY goes, so goes the year," is one of those rules of thumb that Wall Street's money managers love to believe. So a 75 point rise in the Dow Jones Industrial Average last month was the sort of omen that should have made America's money managers feel good as they looked ahead to the rest of the year.

However, the record trading volumes of the first few weeks of the year and the new peaks in U.S. share prices were not enough to dispel the gloom which has been settling over many members of the U.S. pension fund management industry.

There is a growing acceptance that, like so many of the stocks they follow, America's pension fund managers are slowly coming round to the realisation that their own industry has gone "ex growth." And while some might argue that this is too harsh a verdict, it is clear that the boom conditions of recent years, which saw record pension inflows that could support the creation of thousands of new investment "boutiques," every year, are over.

"The image of pension fund management as a low overhead, high margin business where anyone with passable contacts and talent can get rich quick is being replaced by another reality: a highly competitive cut-throat business where only the biggest or the most talented will thrive," was how the Institutional Investor Magazine recently summed up the turbulence now being felt by U.S. pension fund managers.

It concluded that "for many money managers, the party may soon be over."

During the last decade, the combination of inflation and improved benefits has swelled the size of U.S. pension funds more than ten fold, far more than anyone had expected. As a result it has proved a fertile hunting ground for investment managers—both good and bad—whose numbers have continued to grow by leaps and bounds.

Now, however, the industry is poised for a shakeout. There are several reasons why the bloom has gone off the pension fund management business in the U.S. The most visible sign is that the inflow of new money into the pension fund business has slowed considerably.

A recent survey of U.S. pension fund managers by the Institutional Investor reported that more than half those polled expected their 1985 contributions to be at least 25 per cent down on three years ago.

A key reason for the much slower growth in inflows is that funds have done better than expected in the 1982-83 bull market and this means they can raise their acturarial rate of return assumption.

By raising the assumed interest rate which they use to discount future pension liabilities to their present value, corporations automatically lower the amount they have to contribute to fund these liabilities.

The impact on corporate earnings of raising the assumed interest rate can be impressive. Analysts suggest that a one percentage point increase typically cuts annual contributions by up to a fifth.

Chase Manhattan, the big New York bank, for example, reported in a footnote to its 1983 annual report that a change in the interest rate assumption it uses to compute pension costs, reflecting "recent experience and future expectations" had reduced its pension plan expense by $14m in 1983.

If Wall Street continues to perform for the rest of the year the way it did in the opening weeks, then many companies will be tempted to reduce further their pension fund contributions.

More recently, there have been reports that some major New York banks have stopped contributing to their pension plans because they are so well funded. Such moves are attractive to top corporate managers since they result in an immediate improvement in profitability. But for the pension fund managers they are not such good news.

At the same time several major companies are looking enviously at their overfunded pension plans and wondering whether they should try to redeploy the excess resources elsewhere in their empire.

The matter was highlighted last month when Texaco, the third biggest U.S. oil company, asked permission to withdraw $250m in excess assets from the pension fund of Getty Oil, which it acquired last year.

Texaco has told its employees that it wants to use the money in "other operations." Under the proposal Texaco would buy annuities to cover the benefits already earned by retired employees and former employees. Texaco would then create a new plan with the same terms and conditions as its existing plan to cover only its current workforce.

Over the past four years U.S. companies have won approval to retrieve $3.3bn in excess assets from 366 pension funds, and applications are pending in another 163 cases. Companies argue that workforce levels have dropped, wage inflation has moderated and assumed rates of return have increased. As a result pension plans are projected to cover fewer employees at lower future salaries than previously expected.

According to Businessweek's annual survey of the pension plans of the top 100 corporations in the U.S., assets rose by 19 per cent to $220bn in 1983. But only half of the increase was attributable to pension contributions. The remainder represented gains in the underlying financial markets.

While many companies believe they can make a good case for raiding the company pension fund, they face fierce criticism in some quarters.

Representative Claude Pepper, a Florida Democrat, has accused companies of using their pensions funds "like company piggy banks, to be raided at will." He argues that such moves reduce the chance of retired employees getting cost-of-living increases and raise the risk for current employees that their pension funds will not be enough to cover their promised benefits.

Even tha companies which are less well funded are taking steps to rednce thair pension fund contributions.

Chrysler, the Detroit car maker which is fast recovering from its financial problems earlier in the decade, announced last July that it was liquidating about $450m of equity holdings in its pension fund and investing tha proceeds in high grade bonds yielding 14.2 per cent.

With a $456m cash injection from the company, virtually all of Chrysler's pension fund assets are invested in a dedicated bond portfolio with a fixed rate of return.

Chrysler's old pension plan had an assumed rate of return of 13 per cent. And while the move was portrayed as another example of the company's rapid return to financial health, it also means that Chrysler's pension fund can now assume a much higher return and hence reduce the contributions it requires from the company.

Bethlehem Steel, another company not in the best financial shape, has also sharply increased its fixed interest portion of its pension plan, enabling it to reduce its annual contributions by $50m.

Over the past three years Bethlehem has lost $1.7bn and cut its dividend on three occasions in its bid to conserve cash.

Such moves by companies like Chrysler and Bethlehem are still more the exception than the rule. Most corporate pension funds in the U.S. still like to have slightly over half their assets in the equity market and about a third in fixed income, with the balance in short-term instruments and real estate.

However, the move highlights a growing belief among soma pension fund managers that they might be better advised to lock in the current high yields in the bond market and sit back, rather than try to outperform the equity market.

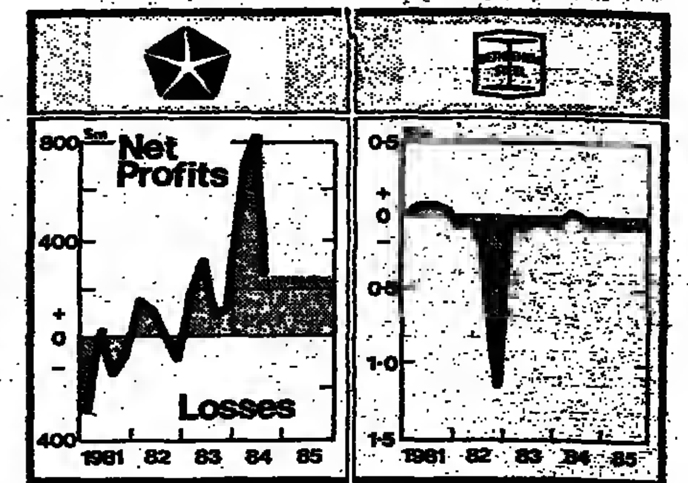
Even the pension funds which want to remain largely in equities, because of the belief that these will do better over the long run, are taking a more conservative approach to the market and putting increasing amounts of their money in passive funds which track the stock market indices.

Over the past ten years the value of the index funds has grown to $80bn as more and more pension funds are switching part of their money into this area.

The management fees are a fraction of those earned by an active pension fund manager which is bad news for many of the smaller firms which were set up to find aggressive stocks to enable their customers to show superior performances.

One of the main reasons why U.S. pension funds are adopting this more conservative line is that the figures show that the money managers are failing to achieve superior returns for their clients.

According to the Chicago-based SEI funds Evaluation Services, only 26 per cent of the equity portfolios it tracked last year beat the S & P 500 index. Over longer periods most managers also underperformed the S & P 500.



Net results of Chrysler and Bethlehem Steel. Two U.S. companies not in the best of financial health, and which have taken steps to reduce their pension fund contributions.

PROFILE: SMITHS INDUSTRIES

Replacement of home teams

BY STEFAN WAGSTYL

FIVE years of change at Smiths Industries pension fund culminated in the appointment of Conrad Ritblat as property manager last year.

In May, the estate agent replaced the company's own property department which had played a key rola in the development of tha fund since tha 1960s, building up the proportion of the fund invested in property to a peak of 50 per cent.

The appointment meant that the last and most important of the company's teams of in-house investment advisers was being replaced by outside professionals.

It was the end of a process which had begun in about 1979 with the appointment of Putnam Capital Management of the U.S. and Yamaichi International (Europe) to advise on overseas investments, and had continued with stockbrokers Phillips and Drew, and L. Messel beine brought in to manage UK equities and government securities respectively.

One impulse for change was the need for expert advice on increased overseas investment in the wake of the abolition of exchange controls in 1979; another was a genaral movement among pension funds in favour of greater reliance on outside external professional investment advisers.

Smiths Industries was also responding to recession. Like many other engineering companies it had to cut staff and consider which services could be bought in more cost-effectively. Mr Kevin Melia, the pension fund secretary, says: "The change affected specialist departments right across the board."

The pensions investment staff was cut from a peak of five full-timers to just one manager, co-ordinating the outside advisers. These edminister a fund valued last April at over £123m, with 6,000 employee members and nearly 5,300 pensioners.

But tha appointment of Conrad Ritblat was not just a change in the way the fund is managed, it was also confirmation of an important shift in investment policy.

In the 1960s and 1970s, the fund had deliberately built up its property investments to 50 per cent of the total fund.

Drawing on the expertise of the company's property managers, responsible for controlling commercial and industrial sites across the country, the fund was one of the first to spot the potential of property investment. Mr Graham Lloyd, investment administration manager, says: "We were well ahead of the field."

But in 1979 the fund decided to reduce its dependence on property investment, in order to make the management of the fund more flexible. "We wanted to prepare for the recession by increasing our flexibility," says Mr Lloyd.

So property investments have fallen as a proportion of the fund from 50 per cent to 25 per cent, compared with an average for similar-sized funds of about 15-20 per cent. Mr Lloyd believes that the proportion will remain "reund about its present level."

Over the same time, the fund, in common with most others, has built up its overseas investments from 9 per cent in 1979 to 14 per cent last April.

Tha aim is to increase this still further to 18 or 20 per cent. But over the past year, the fund has held back because proposed investment in the U.S. looked very expensive in the wake of the decline of the pound against the dollar.

This decision highlights tha fund's liking for flexibility in its investment policy. Mr Lloyd says: "We have to go where we think we will get the best returns, bearing in mind that we are long-term investors."

Hedging proves expensive bloomer

International Exposure

JEREMY STONE

OVERSEAS INVESTMENT in 1984 is a subject which many pension fund managers might prefer their trustees to forget, as their regular report meetings come round.

For the first time since exchange control ended, funds were probably reducing their total exposure. The most cautious trustee might regard this as a mistake, since the highest total returns were to be found in overseas markets.

Worse, in a year when the opportunities for a sterling-based fund to make money on Wall Street were magnified by a steadily rising dollar, it all too often happened that much of the available return was thrown away by an over-cautious attitude to currency risk.

Not for the first time, currency exposure was the better part of an investment in U.S. equities — and hedging the dollar was, with hindsight, an expensive bloomer.

To some extent, the mistakes of the past year can probably be put down to the previous pattern of relations between managers and their trustees, apparently influencing managers' behaviour on two levels, affecting the choice of underlying investment and the method of handling the associated foreign exchange exposure.

In both cases, an approach which was no doubt dictated by a wish to appear responsibly cautious can be seen to have brought about an unhappy combination of increased cost and accentuated risk.

First, the choice of markets and of individual stocks: By and large the funds have interested themselves only in the largest and most liquid markets, Wall Street and Tokyo. And within those markets, the tendency has been to concentrate on types of equity that were regarded as relatively scarce in the UK, notably technology stocks, with the accent on electronics.

In a disappointing American market last year, where the average return to a dollar investor was around 6 per cent this policy led many a British fund to underperform quite drastically—as the small micro electronics companies took a bath.

Much the same thing happened in Japan, where most funds had concentrated on a sickly electrical sector and missed the sudden rise of bank shares.

This was none too surprising, since the doubling in bank shares which followed the Japanese-American agreement (and some strategic reshuffling of the bank's cross-holdings of each other's paper) took place in the space of about three days; for the previous three years bank shares had been virtually impossible to shift.

And although foreign managers were able to outperform the Japanese on their home pitch, this was as much as anything the result of consistent net selling into a drifting market.

Before non-Japanese managers pile back in, it may be necessary for hi-tech and electronic issues to come back into favour. Meanwhile, the much better trend in Tokyo since last summer appears to have caught Western investors still stuck in reverse gear. Pension funds included.

While these misfortunes afflicted the funds in their preferred markets, their performance was also suffering by lack of exposure elsewhere. It is easy enough to understand a reluctance to buy in the Hong Kong market while it was perched on the brink of political extinction, making it seem an unsuitable place for long-term assets. And the colony's predicament was given daily emphasis by events such as the flight to Bermuda of Jardine Matheson. But the apparent resolution of Hong Kong's political future made it the market of the year all the same.

For these varied reasons, many funds had a slightly sad performance from their underlying overseas portfolios. Unfortunately, their decisions on how much exposure to take on will not have made them very much happier with this result. Admittedly, there was always a chance that the rate of overseas diversification would begin to slacken by last year.

If there was a target for the proportion of total assets lodged abroad, which for most funds will have been in the reion of 20 per cent, five years of concentrated cash flow were just about sufficient to achieve it.

By 1984, unchanged policies as to the allocation of cash flow would have led to overshooting. On that ground alone, there might have been a decision to concentrate again on the home market — even without the magnet of British Telecom. In the event, the first two quarters also saw net sales of overseas equities, not just in Japan.

The resulting drop in the overseas proportion of total assets — from about 20 per cent to something more like 17 — need not have been damaging if it had not been accompanied by moves to reduce the currency component of what was left; generally by means of matching forward sales of the investment currency. This has turned out to be controversial for two reasons.

As a matter of presentation, the currency book tends to be shown as a separate and cash consuming account, rather than as an adjunct to the specific investment which it is supposed to be protecting. That prevents some trustees from the cost of hedging in its true light—as an opportunity cost, used to buy the benefits of reduced volatility. There is instead a temptation to see the hedging of a currency as an objectionable form of speculation.

Even if the case for hedging — as risk management — is understood, there is a legitimate complaint against those managers who used the wrong instrument. Forward sales of currency may have appeared a cheap way of buying cover, but unlike options on Philadelphia or other stock exchanges, these deals were not allowable for tax. The fact that they may conveniently have been arranged by another department of the same merchant bank is a further cause for worry.

For the future, it is going to be hard work for managers to persuade their clients to pitch into Wall Street with sterling so close to parity with the dollar. And as for hedging dollars—forget it. Having been singed so badly last year, managers are determined not to make the same mistake. The argument that if the dollar was vulnerably expensive at $1.50 it must be more so at $1.10, is cutting very little ice just now.

Opportunity to tap fresh markets

Exempt Unit Trusts

GEORGE GRAHAM

FIVE YEARS AGO exemption from capital gains tax on internal dealings was extended to unit trusts sold to the general public, as well as to those offered only to pension funds and charities.

Although their tax treatment is now the same as for other trusts, the older established exempt unit trusts have prospered and continued to grow in size, while an army of new funds has emerged, many of them investing in specialised or high risk markets. The unauthorised trusts among them have the additional advantage of exemption from corporation tax.

As well as providing a public and measurable marker for sector performance, these newer unit trusts offer a convenient way for pension funds to venture into new markets.

They are for funds that may be too small to have their own portfolio in, say, Japan; or for larger funds dipping a toe into a market they have not yet developed any experience in.

Mr Colin Day, managing director of Henderson Pension Fund Management, says that in the past his group's two key exempt unit trusts have been Japan and North America. They are still the giants of his stable at £179m between them.

But the European fund, launched in 1980, is now doing well as institutions make their first attempt at entering a market where they have no experience. "Five years ago that was what they were doing with Japan," Mr Day says.

At M & G, however, investment director Mr Paddy Linaker says most pension funds seem not to mind putting their money into the same funds as the general public. There is a good deal of pension money in the group's ordinary Japan and North American unit trusts, he says.

But a fund restricted to institutions does have investment advantages over a public fund, which has to contend with more rapid flows of money in and out of the fund. Such unauthorised funds can remain more fully invested, and this allows them to hold larger stakes in smaller companies without worrying about whether the shares can be sold easily to meet redemptions of units. They can also hold shares longer.

The opportunity to invest in smaller companies is one that several groups have taken up. Allied, County Bank, Henderson and Lazards, for example, run UK smaller company exempt funds, as Edinburgh Fund Managers does for Japan.

But other managers also look to this sector, even if not explicitly. Mr Gavin Gemmell, of Edinburgh-based fund managers Baillie Gifford, says investment in smaller companies is more or less a policy for his group's Japan Exempt fund, even though it is not spelt out in the trust deed. "People know we do a lot of work in smaller companies," he says.

Baillie Gifford chose to frame its Japan fund as an authorised trust because of the greater marketing freedom allowed. At the time of its launch managers could not even quote the price of their unauthorised units in newspapers.

But unauthorised unit trusts can take the strategy of investing in smaller companies a step further. Electra House, for example, manages a fund investing in the UK Unlisted Securities Market and others invest in completely unquoted companies.

A specialist in this is Lazards, which runs £6m in three regional exempt unit trusts, investing in, respectively Yorkshire and Humberside the North East of England and Cumbria, and the North West. It has recently added a fourth investing in the Eastern Counties.

Although these funds have started off by investing mainly in listed companies capitalised up to £40m, the eventual goal is to place up to 70 per cent of the funds in unquoted companies.

Lazards says it believes there are many "attractive investment opportunities where the investment of long-term funds will assist the economic and industrial growth of a region as well as generate attractive long-term returns to the investors."

Unauthorised funds, which are restricted to professional investors, give other freedoms to the investment managers. Many invest in property—out of bounds to the authorised unit trust—and for international funds there is also greater freedom in the instruments that may be used to hedge currency exposure, such as financial futures and traded options.

For older funds as large as Schroder Special Exempt and M & G Charifund—both around the £160m mark—inertia keeps investors in. The penalties for large withdrawals are likely to add substantially to the cost of switching to another fund. Charifund, moreover, is in a class of its own as it is permitted to pay dividends without deduction of income tax.

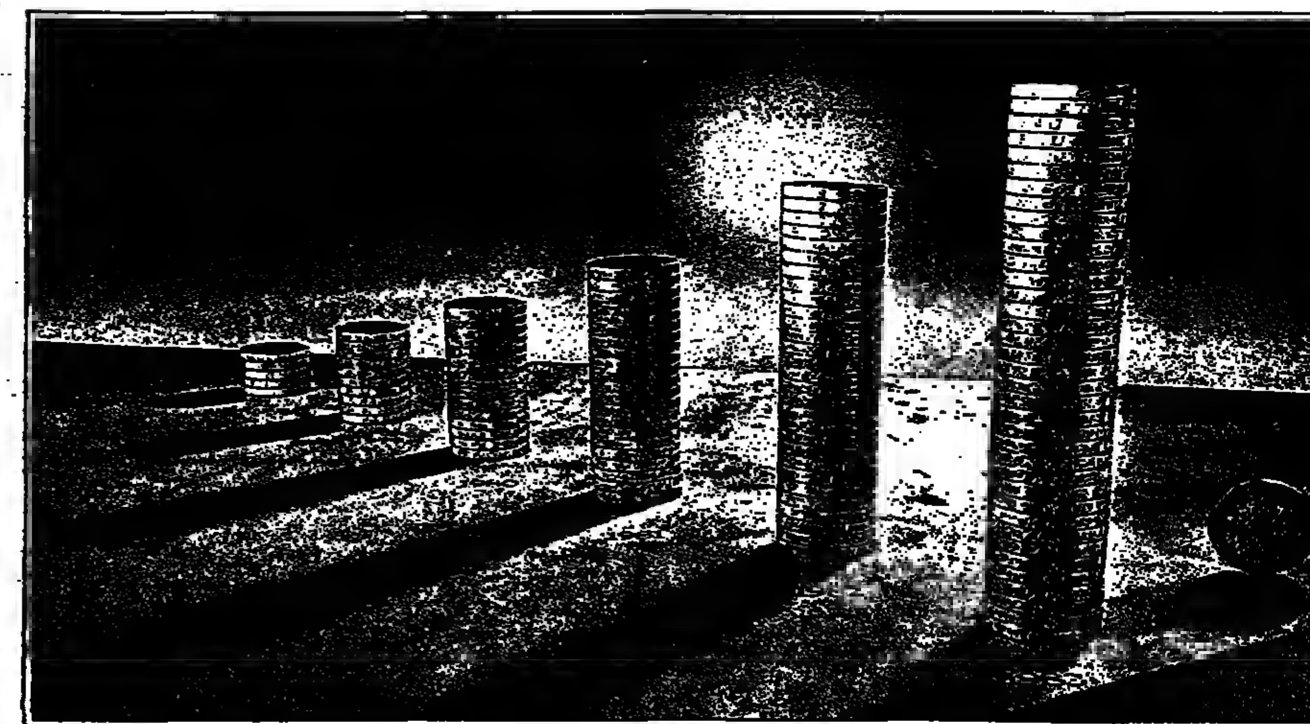
But there is also a strong element of policy. "Pension funds like to be with other pension funds," explains Mr Day of Henderson. In addition there can be cost advantages.

Henderson charges an initial fee of 2 to 2.5 per cent, for instance, compared to a typical front end fee of 5 per cent for ordinary unit trusts. And annual management fees of 0.375 to 0.5 per cent compare favourably with those on a standard trust, which are usually 0.75 per cent and can be as high as 1.5 per cent for specialist funds.

In addition, managers do not trade in their own units. When an investor cashes in its units, the managers will generally liquidate them with the fund's trustees rather than holding them on their own books for resale to new investors at a potential profit.

The spread between bid and offer prices is also narrower. But since investors must often give notice of withdrawals, the managers can move the price down to a bid basis in the time that elapses before the units are actually redeemed.

Exempt unit trusts still account for only a small proportion of total pension funds under management. But it remains to be seen what developments will arise from the creation of a new category of "restricted unit trusts" envisaged in the Government's recent White Paper on financial services.



Stiffer competition with business hard to come by

External Managers

BARRY RILEY

NOT SO long ago the big London merchant banks only had to sit and wait in their City parlours for corporate customers to knock on their doors and ask them to take on the burden of managing their pension fund portfolios.

Today such top banks as Warburg, Schroders, Robert Fleming, Morgan Grenfell and Hill Samuel still dominate the pension fund scene. But far from being a burden, management of such large, growing portfolios is now widely seen to be a profitable and attractive business.

Accordingly a host of other types of institution has moved into the market for fund management contracts, many of them seeking expansion from a base of other types of investment management, but a few directing themselves specifically to this sector.

The other main categories can be listed as other types of banks, such as clearing banks and overseas banks; insurance companies; investment trust and unit trust managers; stockbrokers; and independent specialists or "boutiques."

Although the size of pension funds under external management has been growing fast, it is far from an easy market to break into. Many of the key company contracts were locked up years ago, and by and large managers are rarely fired.

The market does, however, shift in various ways. Apart from the very small number of funds which sack their existing external managers because of dissatisfaction with performance or service, a rather larger number grow big enough to wish to break away from the insurance company schemes which dominate the lower end of the company sector. And at the top end of the size range, companies are inclined to split the fund between two or more managers.

Very large companies, of course, have the option of dropping their external managers and bringing the investment responsibilities in-house. But in an era when decentralisation is fashionable, this is not a discernable trend at present.

The aim of the merchant banks is generally to offer an efficient, standardised product. They have built up considerable experience over the years, and can usually offer both solid research backup in London, and an overseas network of branches and correspondents. Fleming and Baring both offer particular expertise in the Far East, which has been an increasing area of pension fund involvement.

Ideally, a merchant bank will achieve slightly above average performance without the kind of gyrations which make trustees nervous.

Not everybody, of course, can beat the averages, even though statistics offered to prospective clients often suggest otherwise. The risk is that performance will be dull, and that clients will be faced with a rapidly changing sequence of ever more youthful Oxford graduates at quarterly meetings.

But it is worth noting that merchant banks are according more status to their investment specialists, and are developing profit-related remuneration packages to encourage stability at a time when good fund managers are regularly being approached by headhunters.

The clearing banks have had all the marketing advantages of the merchant banks, in terms of contacts and infrastructure, but have perhaps lacked a little of the merchant bankers' style.

They are certainly active in the pension fund business, and Midland, for instance, has been pushing for new clients on the back of some good recent performance figures.

The clearers are somewhat split in their marketing strategy, however. NatWest prefers to operate through its merchant banking subsidiary County Bank, and Midland itself is wearing two hats in that its subsidiary Samuel Montagu is a separate factor in the market place.

Stockbrokers have traditionally been important in the local authority pension fund market, but in recent years a few firms, such as Phillips and Drew and Grieveson Grant, have made substantial inroads into the private sector market.

Again they tend to offer middle of the road products, though P and D is willing to give specialised service.

Brokers are, of course, at the centre of the City revolution and nearly all are moving into new ownership. They will probably feel it appropriate to set up in separate premises from their parent groups, and will certainly have to change their charging systems (as indeed will the merchant banks, too). In practical terms, the stockbrokers could disappear as a separately identifiable force in the pension fund market over the next couple of years.

Insurance companies would like to break into the self-administered market to compensate for the leakage of clients from the pooled fund sector, but they have to battle against a rather dull image.

Some have achieved good track records in their managed funds, however, and Scottish Amicable is one life office which has recently moved into the segregated fund management business.

Investment trust groups are among the newer contenders for pension fund contracts. They also have an incentive to find growth outside their own sector, given that the number of investment trusts is tending to drop because of takeovers.

But investment trust management firms tend to have only limited staffs, be inexperienced at marketing, and anyway are often concerned that their first loyalty must be to their investment trust shareholders.

Relatively few of the Scottish management groups have made much of an impact, although Ivory and Sime, Murray Johnstone and Martin Currie are all active in the market place.

Just as the investment trusts themselves are developing more clearly defined, specialised roles, so these managers tend to offer a more specialised service to pension fund clients with the emphasis on international equity investment and high profile industry sectors.

In London, Henderson, Touche Remnant and GT are prominent among the broadly based investment and unit trust management groups which have expanded into pension fund investment.

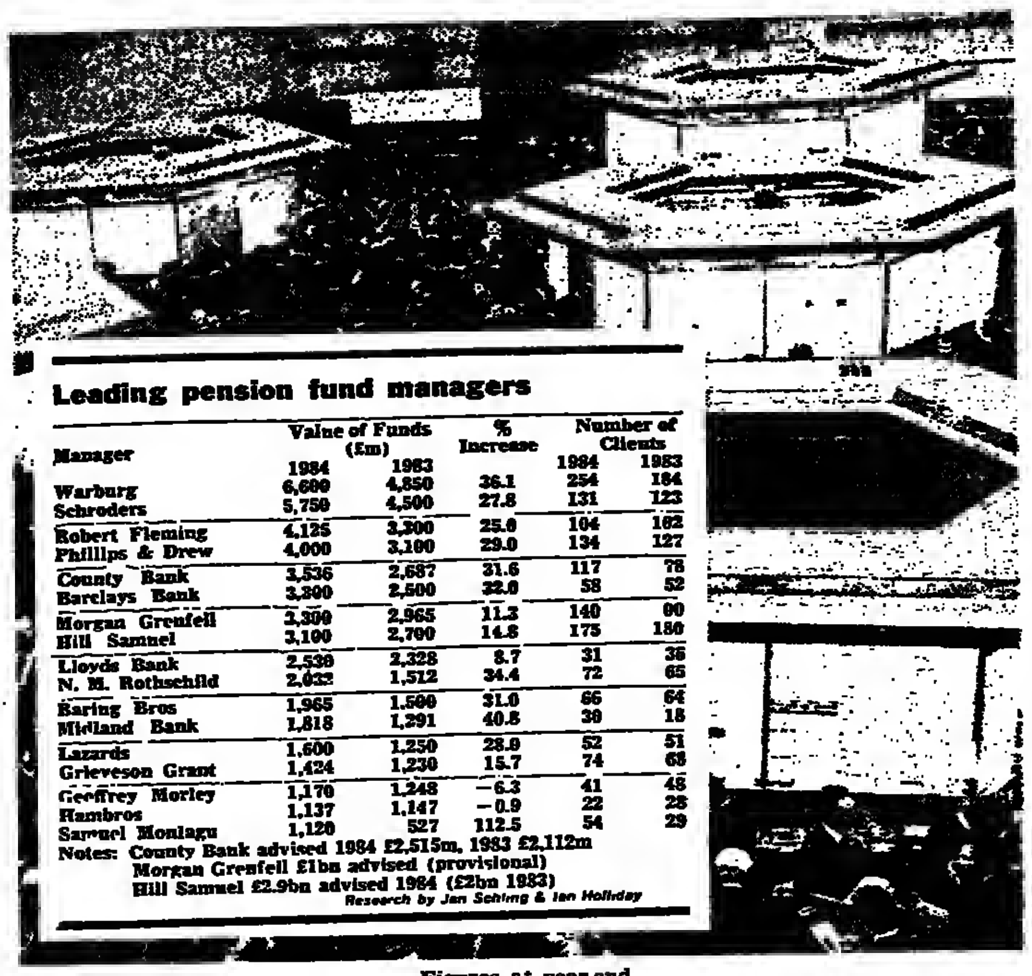
Again, they possess specialised expertise which may help them to compete for the segments of big pension funds set aside for more aggressive management. But their fees tend to be on the high side, and they do not find it easy to prise the big core portfolios out of the grip of the merchant banks.

Finally, there are the specialist independent pension fund managers, of which Geoffrey Morley and Partners is by far the largest, with others like Fraser Green and Walter Scott and Partners also in the running.

In the U.S. very large numbers of independent management firms have sprung up, but there does not appear to be the same entrepreneuerial climate in the UK.

For such boutiques to prosper in Britain, the U.S.-style pension consultants—which advise on a range of managers offering clearly different approaches to investment—will have to gain a firmer foothold.

It will also be necessary for clients to acquire an attachment to individual managers rather than the organisation they work for—the kind of relationship which allowed Walter Scott to break away from Ivory and Sime, taking several important clients with him.



Leading pension fund managers

Manager	Value of Funds (£m) 1984	1983	% Increase	Number of Clients 1984	1983
Warburg	6,600	4,850	36.1	254	184
Schroders	5,750	4,500	27.8	131	123
Robert Fleming	4,125	3,300	25.0	104	102
Phillips & Drew	4,000	3,100	29.0	134	127
County Bank	3,536	2,687	31.6	117	78
Barclays Bank	3,300	2,500	32.0	58	52
Morgan Grenfell	3,300	2,965	11.3	140	90
Hill Samuel	3,100	2,700	14.8	175	180
Lloyds Bank	2,530	2,328	8.7	31	36
N. M. Rothschild	2,032	1,512	34.4	72	65
Baring Bros	1,965	1,500	31.0	66	64
Midland Bank	1,818	1,291	40.8	30	18
Lazards	1,600	1,250	28.0	52	51
Grieveson Grant	1,424	1,230	15.7	74	68
Geoffrey Morley	1,170	1,248	−6.3	41	48
Hambros	1,137	1,147	−0.9	22	28
Samuel Montagu	1,120	527	112.5	54	29

Notes: County Bank advised 1984 £2,515m, 1983 £2,112m
Morgan Grenfell £1bn advised (provisional)
Hill Samuel £2.9bn advised 1984 (£2bn 1983)

Research by Jan Sehling & Ian Holliday

Figures at year-end

Crucial element is one of style

DISSATISFACTION with investment performance has grown among pension fund trustees over recent years, as few managers have been able even to match market indices. This has prompted a growing number of trustees to transfer the money they control from one manager to another.

But replacing one broadly balanced manager with another offering the same armoury of strategies is often a recipe for the same performance — and with an additional penalty for the cost of transferring the fund. This can be substantial, especially when only short notice is given for a switch.

So how do the trustees of a pension scheme set about making a management change that will improve not only performance but their long-term satisfaction with that performance?

Mr Colin Lever, senior partner of Bacon and Woodrow, believes that the crucial element in the relationship between the pension fund trustees and the investment managers is one of style.

He outlines the way his firm, one of the leading British consulting actuaries, sets about helping a pension scheme select a manager.

First, it seeks to find out in detail what the client is looking for, and why. If the fund is leaving an insured scheme, it will want security. It may want personal attention though it has only £5m under management — or it may prefer to be rolled in with 200 other funds at a large bank. "If they are bored because they have been with a merchant bank, there is no point in referring them to another," Mr Lever says.

Then Bacon and Woodrow will draw up a list of perhaps eight or ten possible managers, and send questionnaires to each of these. Bacon and Woodrow has various drafts of its own for these questionnaires, but it often inserts the client's own questions.

On the strength of the investment managers' replies it will arrange to interview three or four managers. Bacon and Wodrow tries to conduct these in a single day, with perhaps an hour and a half for each manager—the so-called "beauty contest."

Finally, the firm will help the trustees draft their mandate to the investment managers. Mr Lever feels that few schemes pay enough attention to the mandate; and a recent study by City Research Associates showed that only around 3 per cent of pension schemes make significant use of outside consultants in drawing up these investment guidelines.

Mr Lever says that changes in management are still very rare. "It needs either very bad performance for a number of years or a break of confidence," he states; and that break of confidence is most likely to be because the trustees feel that more junior managers are being assigned to their fund or because of continued administrative failures, not because of moderate performance.

In fact, many schemes will not sack their old manager outright, but will split the fund among two or more different managers. Mr Lever sees this as a sign of desperation, and says that it is only rarely a constructive policy.

The main problem is in the British investment market, where few managers have clearly defined and different strategies. A few, such as Edinburgh-based Walter Scott and Partners, do offer a markedly different style, but most still regard balanced management as their bread and butter.

Management Selection

GEORGE GRAHAM

"Splitting in the U.S. I have much more intellectual sympathy with," Mr Lever says.

Mr Michael Phillips, of the leading American pension consultants Frank Russell, agrees. He sees two major inefficiencies in split funds: balanced managers will tend to take primary asset allocation decisions that offset each other, so that the overall asset mix of the fund remains virtually constant, but with the penalty of transaction costs; and their equity holdings will show the same tendency to act against each other, giving too diversified a portfolio.

But finding anything other than a balanced manager can be difficult. "There is a paucity of clearly differentiated styles," Mr Phillip says, though he does see a trend towards increasing specialisation among British investment managers, and does find signs of a change in approach particularly among the merchant banks.

Mr Ed Barksdale, of U.S. pensions consultants Rogers, Casey and Barksdale, notes that it is more difficult to find specialists in the UK because managers tend to be part of much larger organisations.

In many cases, he says, individuals are hampered by the rigidity of the institutions. But behind the organisational facades he detects the same variety of individual styles as in the U.S.

And it is not just the investment managers who have to change their approach if split funds are to perform well. For splitting to work, the trustees must adopt a hands-on attitude to asset allocation.

"Diversification should be a by-product of having different managers," Mr Barksdale says. "They should not be trading off diversification against performance."

This policy will often take the form of a core fund producing steady, low-risk returns, with one or more satellite funds offering higher potential reward but at higher risk.

This strategy, however, requires much closer attention to the question of risk, one that many trustees have tended to leave to their investment managers.

City Research Associates' survey threw up a considerable degree of confusion among those running pension schemes as to what constitutes risk: 20 per cent of the respondents were unable to say what they understood by risk.

So far, UK subsidiaries of American companies have led the way in adopting this approach to pension fund management. Mr Phillips, who is managing director of Frank Russell's British operation, says that his client list is still dominated by such companies, though British companies are now moving in the same direction.

But he rejects the claim that the American approach is responsible for a faster turnover of managers. Indeed, because of the stress his company lays on the individual quality of investment managers, it often argues against trustees who wish to switch manager because of a short-term performance failure.

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WALL STREET

Cautious return to work

A CAUTIOUS mood prevailed as Wall Street returned to work from Washington's birthday holiday, with market analysts awaiting today's appearance by Mr Paul Volcker, the Federal Reserve chairman, before the Senate Banking Committee, where he will spell out the Fed's policies for 1985, *writes Terry Byland in New York.*

But any short-term worries over the Fed's credit stance were calmed by a further round of overnight system repurchase arrangements, announced when federal funds edged up to 8 9/16 per cent.

Stock prices rallied from some early profit-taking and turnover remained in the high range of recent sessions.

Selling was light, however, and prices soon steadied and traded for the rest of the session at levels only a shade off from Friday's closing quotations. Turnover was sharply down from recent levels, and only 90.8m shares changed hands.

At the close the Dow Jones industrial average was a net 1.43 points down at 1,280.59. Broader mark indices, including the American Stock Exchange and the Standard & Poor's 500 indices, showed minor falls.

The renewed surge in money supply has raised fears in the credit market that the Fed may be forced to tighten its policies later in the year as the economy gathers pace. The Fed disclosed last week that it eased policy in December and market analysts are now anxious to hear what Mr Volcker will tell the Senate committee about more recent decisions.

In the stock market, there was modest profit-taking in some blue chip stocks and a rash of weak spots among the takeover and similar special situation stocks also depressed the market opening.

The market leaders were little changed from Friday's closing prices. General Motors added $⅛ to $78⅛, with the new "E" stock, issued as part of the purchase of Electronic Data Systems, traded at $64⅛, up $⅝ from the issue price. Ford was little changed after an increased dividend payment from Ford Canada, which added $6½ to $108.

Northrop at $41⅞ was $⅝ up after results and fellow defence industry leader, Martin Marietta added $2¼ to $53⅛. But uncertainties over the future shape of the railway industry took $¼ off Georgia-Pacific, at $25¼, and $4 off Chicago Milwaukee at $146½.

Deere, the tractor and farm equipment manufacturer, shed $¼ to $30¼ after disclosing its latest trading fortunes. Texas Instruments dipped $1 to $117½.

Stock in Phibro-Salomon, the big investment banking and securities house which is re-structuring its Philipp Bros commodity operations, fell $1⅛ to $37⅞ after disclosing trading results.

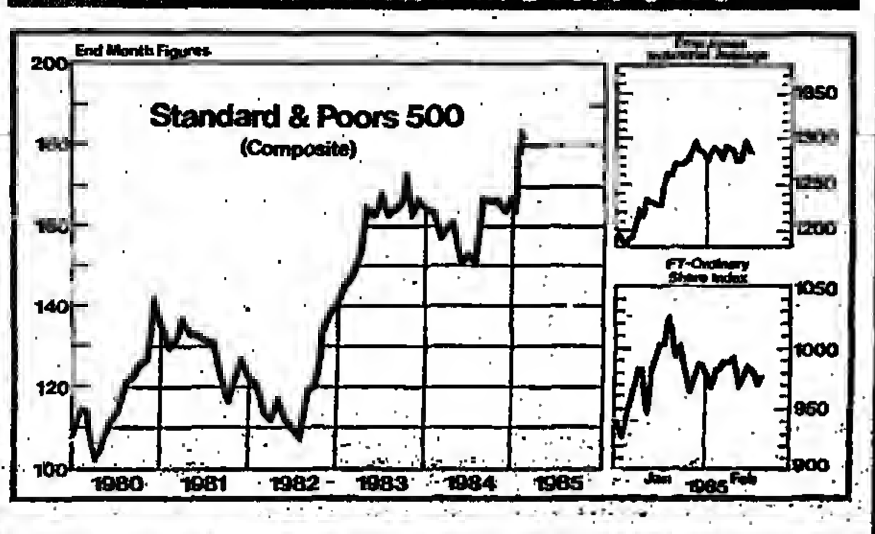
Stauffer Chemical stock was suspended at $21⅛ on the NYSE ahead of the $1.25bn takeover offer from Chesebrough-Pond's but returned later to trade up $6⅛ at $27⅛. Chesebrough, also suspended at one stage, returned to trade down $3⅛ at $33¼.

Other takeover features included Philips Petroleum, $⅛ off at $47⅛ as Wall Street awaited news on the financing of Mr Carl Icahn's $60 a share offer. Unocal fell $1⅛ to $44⅛ in the absence of a further move by Mr T. Boone Pickens who has been a buyer of the stock.

In the credit markets, the Fed's intervention with another round of repurchases – the fourth consecutive trading session to be granted liquidity help and the third tranche from the Fed's own accounts – steadied bonds, which had opened lower after confirmation of another increase in housing starts last month.

Long-dated issues were no more than a shade off at mid-session, and two-year issues held steady ahead of today's sale of $9bn in Treasury securities. Money market rates fell by 10 basis points despite continued firmness in federal funds. But Treasury bills showed little change as the market awaited the weekly bill auction late in the day, postponed by the Washington birthday break.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 19	Previous	Year ago
NEW YORK			
DJ Industrials	1,280.59	1,282.02	1,148.87
DJ Transport	632.20	629.21	502.31
DJ Utilities	150.39	150.85	124.66
S&P Composite	181.33	181.60	155.74
LONDON			
FT Ord	977.5	970.5	819.3
FT-SE 100	1,275.9	1,268.7	1,041.9
FT-A All-share	613.6	612.2	494.3
FT-A 500	671.63	669.8	529.23
FT Gold mines	503.4	511.4	632.4
FT-A Long gilt	10.79	10.78	10.21
TOKYO			
Nikkei-Dow	12,156.64	12,149.15	9,925.1
Tokyo SE	947.18	946.91	768.49
AUSTRALIA			
All Ord.	795.4	790.5	750.4
Metals & Mins.	466.8	460.1	520.1
AUSTRIA			
Credit Aktien	65.80	64.96	55.39
BELGIUM			
Belgian SE	2,178.55	2,162.76	–
CANADA			
Toronto Metals & Minls	2,140.40	2,147.26	2,191.0
Composite	2,609.70	2,608.16	2,383.0
Montreal Portfolio	131.10	125.77	117.05
DENMARK			
Copenhagen SE	175.81	175.29	207.08
FRANCE			
CAC Gen	201.5	200.9	159.6
Ind. Tendance	109.1	108.9	85.2
WEST GERMANY			
FAZ-Aktien	406.15	402.76	357.6
Commerzbank	1,181.0	1,170.0	1,055.6
HONG KONG			
Hang Seng	1,435.17	1,427.18	1,094.87
ITALY			
Banca Comm.	286.58	288.22	219.37
NETHERLANDS			
ANP-CBS Gen	203.1	201.3	161.3
ANP-CBS Ind	160.6	159.4	132.5
NORWAY			
Oslo SE	325.94	322.51	236.29
SINGAPORE			
Straits Times	closed	810.9	1,037.13
SOUTH AFRICA			
Golds	918.5	911.6	915.4
Industrials	868.0	870.8	969.3
SPAIN			
Madrid SE	115.20	116.23	83.23
SWEDEN			
J & P	1,441.70	1,437.05	1,547.23
SWITZERLAND			
Swiss Bank Ind	418.4	415.9	371.5
WORLD	Feb 18	Prev	Year ago
Capital Int'l	196.6	197.3	179.9

GOLD (per ounce)

	Feb 19	Prev
London	$302.75	$304.50
Zürich	$302.65	$304.25
Paris (fixing)	$302.16	$303.59
Luxembourg	$302.85	$305.00
New York (Apr)	$306.40	$303.60

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Feb 19	Previous	Feb 19	Previous
$	–	–	1.0935	1.10935
DM	3.3155	3.296	3.6225	3.6025
Yen	260.6	260.0	285.0	284.25
FFr	10.1375	10.0725	11.08	11.01
SwFr	2.808	2.801	3.0725	3.0625
Guilder	3.752	3.73	4.10	4.08
Lira	2,045.0	2,036.5	2,234.0	2,226.5
BFr	66.6	66.2	72.85	72.4
C$	1.34545	1.34035	1.4705	1.4635

INTEREST RATES

	Feb 19	Prev
Euro-currencies (3-month offered rate)		
£	14	13 15/16
SwFr	5⅞	5 13/16
DM	6⅛	6 3/16
FFr	11¼	11¼
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅛	9⅛
6-month U.S.$	9 5/16	9 5/16
U.S. Fed Funds	8½	8⅜
U.S. 3-month CDs	8.75	8.6
U.S. 3-month T-bills	8.17	8.18

U.S BONDS

	Feb 19* Price	Feb 19* Yield	Prev Price	Prev Yield
Treasury				
9⅞ 1987	99 23/32	9.96	99 23/32	9.96
11⅛ 1992	101 21/32	11.27	101 21/32	11.27
11¼ 1995	99 9/32	11.38	99 9/32	11.38
11⅞ 2015	98 7/32	11.34	99 7/32	11.34
Corporate				
AT & T				
10⅜ June 1990	98	11.20	98	11.20
3⅝ July 1990	76⅜	8.65	76½	8.55
8⅝ May 2000	78⅝	12	78⅝	12
Xerox				
10⅞ March 1993	95⅜	11.45	95⅜	11.45
Diamond Shamrock				
10⅜ May 1993	93½	11.90	93½	11.90
Federated Dept Stores				
10⅜ May 2013	88.572	12.05	88.572	12.05
Abbot Lab				
11.80 Feb 2013	97.601	12.10	97.601	12.10
Alcoa				
12¼ Dec 2012	96.897	12.65	96.897	12.65

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	71–26	71–30	71–19	71–22
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.82	91.84	91.75	91.78
Certificates of Deposit (IMM) $1m points of 100%				
March	91.14	91.14	91.02	91.08
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.73	90.74	90.66	90.68
20-year Notional Gilt £50,000 32nds of 100%				
March	104–08	104–10	103–14	103–19

COMMODITIES

(London)	Feb 19	Prev
Silver (spot fixing)	569.95p	569.20p
Copper (cash)	£1,284.50	£1,290.50
Coffee (March)	£2,331.50	£2,326.50
Oil (spot Arabian light)	$27.75	$27.70

LONDON

Exporters singled out for support

INDUSTRIAL stocks with overseas earnings potential came in for support during an otherwise drab session in London. Investors singled out several groups with heavy export orders to the U.S. after a further surge in the dollar against most major currencies.

Gilt-edged quotations ended with minor changes in either direction but specialist demand took Exchequer 11 per cent 1989 up ¾ to 96¼. The stock will be quoted clean of accrued interest this morning.

The FT Ordinary share index closed 7 points higher at 977.5 after having opened the session marginally lower.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30-31

HONG KONG

NEWS OF a revised bid from Tan Sri Khoo Teck Puat for Wheelock Marden injected life into comparatively subdued early trading in Hong Kong and drove profit takers from their positions of authority. After having dropped 20 points during the morning under the weight of profit taking the Hang Seng index rallied to close 7.99 higher at 1435.17.

Following the announcement of the revised HK$7 a share bid, Wheelock Marden's shares rose from HK$6.40 to HK$7.10. Exchange authorities stepped in to suspend trading in the stocks shortly before the close of trading.

Among other key issues, Bank of East Asia rose 10 cents to HK$24.70, Swire Pacific 10 cents to HK$24.90.

Jardine Matheson was actively traded, despite a company denial that a takeover bid for the company was in the offing. It firmed 10 cents to HK$10.10 after trading as high as HK$10.30.

AUSTRALIA

FIRM BUYING demand in Sydney pushed the All Ordinaries index to another record level, closing up 4.5 points to 795.0 to eclipse Monday's peak.

Local and international support backed the advance, with rises outnumbering falls by 239 to 141.

Gold stocks were in demand during a strong session for the mining sector. Placer closed 50 cents higher at A$25.0, Central Norseman rose 16 cents to A$6.06 and Poseidon firmed 15 cents to A$3.

Among the industrials, Elders IXL firmed 7 cents to A$3.14 following announcement of the company's 21 per cent rise in interim earnings.

SOUTH AFRICA

A FIRMER tone among gold shares appeared during trading in Johannesburg, buoyed by a sharply weaker rand and despite a lower bullion price.

Heavyweights generally gained ground with Kloof up 50 cents to R70.50 and Blyvoor 25 cents higher to R16.25.

Mining financials and other mining stocks were mostly unchanged. Impala Platinum eased R2 to R22.50 after news that its first half earnings had fallen because of heavy foreign exchange losses.

Industrials were thinly traded and no trend developed across the sector.

CANADA

SELLERS returned to dominate trading in Toronto. During a busier morning session losses outnumbered falls by more than two-to-one after a weak opening on Wall Street.

Canadian Tire, which on Monday fell C$¾ after the report of a fourth-quarter loss, was down a further C$¾ at C$9⅝ in active trading.

Gold stocks came under pressure, and this was reflected, in a relatively sharp slide in the index.

Trading in Montreal was also weaker, with only one of the four major indices higher at mid-session.

KUALA LUMPUR

Mr Daim asserts his authority

WHEN MR DAIM Zainuddin, the Malaysian Finance Minister, was asked why the Capital Issues Committee (CIC) – the country's powerful watchdog of the securities industry – was being transferred from the central bank to the Treasury, he replied: "Because I am the minister. I am running the show," *writes Wong Sulong in Kuala Lumpur.*

Since becoming Finance Minister seven months ago, Mr Daim, 45, a wealthy businessman and close confidant of Dr Mahathir Mohamad, the Prime Minister, has removed any doubt he was in control of Malaysia's fiscal and monetary policy.

His announcement on Monday that all new public listings and new share issues were to be suspended temporarily "until the stocks market improves and has consolidated itself" has been welcomed by stock brokers as a much needed boost to the lethargic Kuala Lumpur Stock Exchange (KLSE). But it has left merchant bankers shocked at the prospect of losing out on a lucrative source of business.

No other Malaysian Finance Minister has exerted so much influence on the KLSE, although there is much conjecture about why Mr Daim is doing so.

Over the past 18 months while the world's major bourses put on impressive gains in response to economic recovery, the KLSE and its closely linked neighbour, the Singapore Stock Exchange (SSE), had remained depressed.

Between January and December 1984, the KLSE industrial index fell 20.5 per cent to 511 points. There was a mild Chinese New Year rally at the end of last month, but it has since fizzled out.

A good number of counters are at their three-year low and selling below net asset value.

The Government is known to have been concerned that the protracted depressed state of the securities market was spilling over to other areas and was beginning to affect investors' confidence in the economy.

The Singapore market was closed yesterday at the start of lunar new year festivities.

While domestic political troubles and the fallout of the Bank Bumiputra Hong Kong loan scandal have had an adverse impact, Mr Daim feels that the real culprit is the proliferation of scrip on the market at a time of tight liquidity.

In recent years, there has been something of an explosion of share issues. Last year, KLSE companies raised a total of 2.8bn ringgit ($1.12bn) through share issues, compared with 2bn ringgit in 1983 and 800m ringgit in 1982.

"Currently, there are too many shares chasing too few dollars," said Mr Abdul Razak Sheikh Mahmood, the KLSE chairman.

The situation is being aggravated by Malay businessmen selling, in Mr Daim's words, "to make a quick buck in the market."

Under the Government's new economic policy, Malaysian incorporated companies, whether foreign or local owned, have to divest 30 per cent of their equity to Malays.

These Malay share issues are often given out at hefty discounts compared with the market price, and many Malays, with the right connections, have made small fortunes by getting bank loans to take up these special allotments and unloading them at the earliest opportunity.

Mr Daim wants this to be stopped. Future Malay share allotments are expected to set a minimum time that shares are to be held.

While the Government and the stock broking community may feel the KLSE needs some reform, many analysts do not feel the market has reached its bottom.

"True, there are now a few good buys, but generally the KLSE is still over-priced. Price earning ratios of most counters are still above 18 and companies are expected to report lacklustre results in the coming weeks," an analyst said.

"Frankly, we were caught by surprise," a leading merchant banker commented. He thinks that the country's 12 merchant banks would be badly hit by the temporary suspension of new public listings.

Malaysian merchant banks earn a substantial portion of their income by advising corporate clients on new listings, rights issues, mergers and acquisitions.

Their fees and underwriting commission could range from 500,000 ringgit to a few million ringgit depending on the size of the issue.

Last year, there were 14 new public listings, with a total paid up capital of 522 ringgit.

Merchant bankers disagree that new public listings tend to depress the market because the amount offered to the public is rather small.

"How the market performs depends on many factors, in particular the state of the economy and the political environment. Suspending new listings might help, but not very much," a merchant banker said.

It is also unclear whether the suspension of new listings would affect the Government's privatisation programme, which is crucial to the achievement of the new economic policy target of 30 per cent Malay corporate ownership.

Several government agencies, such as the telecommunications department and Malaysian Airline System, have commissioned merchant banks to advise on their privatisation and are planning to seek KLSE quotations next year.

The only consolation for merchant banks is that Mr Daim has held out the possibility the Government might allow merchant banks and foreign companies to take up equity stakes in Malaysian stockbroking firms.

TOKYO

Blue chip buying gives strength

AN ABSENCE of buying incentives left Tokyo to open dull yesterday, but the mood brightened later when the dealing divisions of leading brokerage houses bought some blue chips in anticipation of a firmer Wall Street after the U.S. three-day holiday weekend, *writes Shigeo Nishiwaki of Jiji press.*

The Nikkei-Dow market average gained 7.49 to 12,156.64 on a volume of 287.94m shares compared with Monday's 243.18m. Losses exceeded gains 385 to 352, with 166 issues unchanged.

The yen's drop below 261 to the dollar depressed some oil and power stocks at one stage. Hitachi dipped temporarily on a report that declining semiconductor prices could put a sharp brake on the firm's profit growth for the business year ending in March.

The market tone changed in the afternoon, however, as leading brokerage houses started purchasing blue chips, notably those related to compact disc audio players. Nippon Gakki rose Y50 to Y2,230 on the day's third most active trading of 8.33m shares and Sony jumped Y70 to Y4,400. Nippon Columbia came eighth on the active list with 4.25m shares changing hands. It advanced Y40 at one stage, but closed Y20 down at Y1,850 under profit-taking pressure.

Among precision instruments, Olympus added Y20 to Y1,420 and Casio soared Y110 to Y1,930 in brisk trading. They were among the 20 most active issues.

Elsewhere, Nippon Kinzoku finished Y41 higher at Y635, reflecting increasing demand for amorphous alloy powder, and Riken Corp registered a Y26 rise to Y475. Tokyo Electric gained Y80 to Y1,810.

Mitsui Mining and Smelting, which attracted speculator interest on Monday, remained at the top of the actives list with 8.56m shares traded. But it closed the day Y18 lower at Y501 amid sharp fluctuations. Yahagi Iron, which advanced sharply on Monday, lost Y23 to close at Y455. Nishi-Nippon Railroad added Y16 to Y203.

Biotechnology-related stocks continued to lose ground, with volume shrinking under pressure from the rising margin buying balance. Kuraray dropped Y30 to Y1,000 and Yamanouchi Pharmaceutical plunged Y120 to Y3,770. Mochida Pharmaceutical suffered another daily limit loss of Y500 to Y11,850.

Bond prices eased in thin trading on both the over-the-counter and inter-broker markets. Major institutional investors, unable to identify the causes of the recent see-sawing in the yen-dollar exchange rate, again became cautious. Small-lot selling, which reflected the yen's decline, pushed up the yield on the benchmark 7.3 per cent government bonds, maturing in December 1993, to 6.77 per cent from Monday's 6.755 per cent.

EUROPE

Dollar surge prompts buying wave

THE RENEWED surge in the dollar yesterday prompted a further wave of buying activity that took a number of major European bourses back to their record-setting ways.

In **Frankfurt,** heavy foreign demand fuelled a sharp rise in hectic trading, during a bourse session which began an hour early to take account of the Carnival half day holiday.

The Commerzbank index, not calculated on Monday, put on 11 points from Friday's level to a record 1,181.0. This was 9.9 points higher than the previous peak set in January 22.

This letest surge coincided with a report from Deutsche Bank forecasting that West German exports can be expected to grow this year at the same real 9 per cent level recorded in 1984. The report added that foreign orders in the fourth 1984 quarter were a real 10 per cent higher than a year earlier, with particularly strong growth in foreign orders for capital goods and cars.

In the motor sector, BMW added DM 15.50 to DM 385.50, after a day's high of DM 387.50, in continued response to Monday's results. Daimler finished DM 14 higher at DM 660, Volkswagen DM 4.50 firmer at DM 196.70 and Porsche DM 26 ahead at DM 1,256.

Strong demand was also seen for chemicals, boosted by upward market revisions of the sector's corporate earnings prospects. BASF rose DM 3.60 to DM 192.80, Bayer DM 1.90 to DM 200 and Hoechst DM 2.50 to DM 192.70.

Retailers, neglected in recent weeks, made an attempt to catch up with the rest of the market. Karstadt scored a DM 8.50 gain to DM 220, Kaufhof rose DM 12 to DM 222 and Horten added DM 3.50 to DM 167.50.

Banks and engineering were mixed and among metals firms, Degussa rose DM 5 to DM 358 but Metallgesellschaft fell DM 2 to DM 248.

Steelmaker Klöckner-Werke eased 70 pfg to DM 77.30 as the state of Lower Saxony halted disbursements of aid in response to the company's plans to close a plant near Osnabrück.

Bond prices fell back as banks lightened their portfolios in low turnover. The Bundesbank bought a small DM 5.7m of paper after purchases totalling DM 46.2m the previous day.

Strong overseas demand for **Amsterdam** stocks on top of active domestic buying, spurred the ANP-CBS General index up 1.8 to a record 203.1.

All sectors showed strength with internationals doing particularly well.

Royal Dutch advanced Fl 2.80 to Fl 205.90, Unilever Fl 2.30 to Fl 340.30 and Akzo 70 cents to Fl 105.60.

Bond prices eased amid market rumours that the Government would offer a new state loan today, paying a higher coupon than rates seen in the market over the past two weeks.

A firmer tone in **Paris** took the CAC General index up 0.6 to a peak of 201.50. The continued strength of the market caused some surprise since many operators had begun settling accounts ahead of the new monthly trading account which begins today.

Demand for financials and some industrials underpinned **Zurich's** advance and the Swiss Bank industrial index put on 2.5 to a record 418.40.

Bond prices were little changed in restrained turnover with investors holding back amid continuing concern about the outlook for interest rates.

Brussels moved briskly ahead with the SE index up 15.79 at 2,178.55 amid market expectations of easing domestic interest rates. Utilities were broadly higher after a week of lacklustre trading.

Profit-taking and liquidation of speculative positions left **Milan** sharply lower in early trading but a resumption of institutional demand later enabled the bourse to close mixed.

Olivetti added L175 to L6,965, as it announced plans to take a stake in Acorn, the troubled UK computer company.

Madrid was lower, reversing recent gains while **Stockholm** was also lower as the central bank announced that net purchases of Swedish shares by foreigners surged to SKr 977m in January from SKr 55m in December. By far the highest volume – SKr 447.2m – was in Volvo whose shares yesterday added SKr 2 to SKr 279.

In **Vienna,** the Credit Aktien index added 0.84 to a further record of 65.80.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]										
34¾	18⅝	Augat	.32	1.1	21	501	28¼	27⅞	28¼	+¼
45⅛	29½	AutoDt	.62	1.4	85	359	46	45	45⅞	+½
50⅛	24	AvcoCp			10	12	50	49⅝	49⅝	−⅛
24	16⅞	AVEMC	.60	2.6	12	38	23⅞	23½	23½	−½
39⅞	23	Avery	.60	1.6	18	237	37⅞	37¼	37¼	−1½
15	10	Aviall	n		7	10	14⅝	14⅝	14⅝	+⅛
41	27	Avnet	.50	1.4	16	607	36½	60	36	−1
25⅞	19¼	Avon	2	8.8	11	1196	22⅞	22⅝	22¾	
36⅞	16	Aydin			18	59	25⅞	25	25	−⅞

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
44¾	34¼	Weyr	pf2.80	6.5		62	42¼	41¾	42¼	+ ¼
61¼	45⅝	Weyr	pr4.50	9.6		118	50½	50	50¼	
33⅝	12⅞	WhelPit				33	19⅛	14½	15½	+1
85	25	WhPit	pf 5	16		z200	31	30½	31	+ ½
49½	36½	Whirlpl	2	4.2	9	1176	48	47¾	48	+ ½
37⅞	24⅛	WhitC	1.56	4.8	9	247	31⅛	31	31⅛	+ ⅛
45½	36⅝	WhitC	pfC3	7.5		1	40	40	40	+ ¼
32	17⅝	Whitehl			11	185	28¾	28¼	28¼	+ ¼
24⅛	14½	Whittak	.60	2.7	7	217	22	21⅛	22	+ ⅛

Continued on Page 28

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Feb. 19	Price Sch.	+ or −
Creditanstalt	233	
Goesse	412	−12
Interunfall	460	
Laenderbank	223	+1
Perlmooser	346	+2
Steyr-Daimler	156	
Veitscher Mag.	362	+17

BELGIUM/LUXEMBOURG

Feb. 19	Price Frs.	+ or −
B.B.L.	1,760	
Banq. Int. A. Lux	5,450	−230
Bekaert B	5,050	−50
Ciment CBR	9,650	−35
Cockerill	275	−10
Delhaize	6,750	−60
EBES	2,835	−35
Electrobel	8,300	−100
Fabrique Nat	2,130	−30
GB Inno BM	9,990	+65
GBL (Brux.)	2,060	−30
Gevaert	3,700	−50
Hoboken	5,800	−40
Intercom	2,115	−25
Kredietbank	7,850	−40
Pan Hldgs.	11,100	−100
Petrofina	6,920	
Royale Belge	10,375	−100
Soc. Gen. Banq	3,300	−50
Soc. Gen. Belge	1,880	−40
Sofina	7,400	−70
Solvay	4,080	−10
Stanwick Intl.	1,520	−20
Traction El.	4,000	−55
UCB	4,880	+20
Wagon Lits	2,390	−20

DENMARK

Feb. 19	Price Kr. %	+ or −
Andelsbanken	290	−1
Baltic Skand	810	+5
CopHandelsbank	285	−1
D. Sukkerfab	550	−10
Danske Bank	295	−1
De Danske Luft.	1,225	−10
East Asiatic	167	−1
Forenede Brygg.	830	
Forenede Damp.	51	−1
GNT Hldg	415	+4
I.S.S.B.	467	−1
Jyske Bank	550	−5
Novo Ind.	1,775	−55
Privatbanken	238	
Provinsbanken	283	+3
Smidth (F.)	226	
Sophus Berend	935	
Superfos	467	+3

FRANCE

Feb. 19	Price Frs.	+ or −
Emprunt 4½% 1973	1620	−7
Emprunt 7% 1973	7,605	−67
Accor	253	
Air Liquide	625	−1
BIC	565	
Bongrain	1,670	+5
Bouygues	647	−2
BSN Gervais	2,405	+5
CIT Alcatel	1,275	−15
Carrefour	1,957	−6
Club Mediter'n.	1,260	+12
Cie Bancaire	598	−5
Cofimeg	264.5	−2.7
Damart	2,320	−19
Darty	1,178	−1
Dumez S.A.	586	−2
Eaux (Cie Gen)	580	
Elf Aquitaine	241.5	−0.5
Essilor	2,911	+1
Gen. Occidentale	785	+1
Imetal	80.6	+0.6
Lafarge Coppee	414	+2.5
L'Oreal	2,343	−38
Legrand	2,069	−1
Maisons Phenix	195	+0.2
Matra S.A.	1,630	−18
Michelin B	843	−3
Midi (Cie)	2 277	−2
Moet Hennessy	1 975	−10
Moulinex	102.5	−0.4
Nord Est	75.6	+0.5
Pernod Ricard	719	−8
Perrier	526	−1
Petroles Fra.	254.5	−1
Peugeot S.A.	285	
Printemps Aus.	196	−1
Radiotech	254	−1
Redoute	1,265	−8
Roussel Uclaf	1,485	−55
Sefimeg	321.5	−2.5
SkisRossignol	2,037	+2
Telemech Elect.	2,385	−15
Thomson CSF	497	+1
Valeo	240.2	−1.8

GERMANY

Feb. 19	Price Dm.	+ or −
AEG Telef.	113	+0.5
Allianz Vers.	1,048xr	+3
BASF	192.8	+3.6
Bayer	200	+1.9
Bayer Hypo	316	−0.8
Bayer Verein	324	−3
BHF-Bank	270	
BMW	385.5	+15.5
Brown Boveri	813	−2.5
Commerzbank	167.3	−0.2
Cont'l Gummi	123	+2
Daimler-Benz	660	−14
Degussa	358	+5
D'sche Babcock	171.5	
Deutsche Bank	405.5	+1.7
Dresdner Bank	195	+1.3
GHH	163	+0.5
Hochtief	465	−4
Hoechst	192.7	+2.5
Hoesch Werke	111.6	+0.6
Holzmann (P.)	394	−5
Horten	167.5	+3.5
Hussel	394	+1
Karstadt	223	+8.5
Kaufhof	222	+12
KHD	262ar	+0.5
Kloeckner	77.8	−0.7
Linde	426.5	−8.5
Lufthansa	189.5	+2.5
MAN	158	+0.7
Mannesmann	157.3	+1.5
Mercedes Hld.	581	+12
Metallgesell	248	−2
Muench Rueck	1220	−20
Nixdorf	640.5	−1.5
Porsche	1,256	+26
Preussag	263	+3
Rhein West Elect	168.5	−0.5
Rosenthal	243	−2
Schering	476.8	+0.8
Siemens	545.0	
Thyssen	103	+1.7
Varta	188	+0.5
Veba	169	+0.5
V.E.W.	193	−0.5
Verein-West.	318	
Volkswagen	196.7	+4.5

ITALY

Feb. 18	Price Lira	+ or −
Banca Com'le	19,150	−890
Bastogi-IRBS	187	+1
Centrale	2,940	−40
Credito Varesino	4,800	+420
Fi-Invest.	2,825	
Fiat	2,775	−65
Finsider	56	
Generali Assicur.	44,500	−700
Italcementi	82,500	
La Rinascente	658	−2
Montedison	1,571	+9
Olivetti	6,790	−10
Pirelli Co.	4,690	−45
Pirelli Spa	8,395	−27
Snia BPD	2,975	+39
Toro Assic.	16,889	+189
do. Pref	12,780	+390

NETHERLANDS

Feb. 19	Price Fls	+ or −
ACF Holding	199.5	+0.5
AEGON	172	+1
Ahold	217.6	+0.6
AKZO	105.6	+0.7
ABN	399	+4
AMEV	217.3	−3.8
AMRO	75.3	+0.7
Bredero Cert.	157	−0.5
Bos Kalis Westm.	14.5	+0.2
Buehrmann-Tet.	90.5	+0.5
Calland Hldgs.	45	+0.1
Dordtsche Pet'm	181	+2.7
Elsevier NDU	114.8	+2
Fokker	96	
Gist Brocades	185.8	+2.1
Heineken	157.8	+1.2
Hoogovens	60.6	+0.3
Int Mueller	43.7	+1.3
KLM	55.4ao	−1.1
Naarden	47.6	+0.1
Nat Ned Cert	280	+1
Ned Mid Bank	169.5	+0.5
Nedlloyd	171.5	−4.5
Oce Grinten	300.5	+2
Ommeren (Van)	28	+0.7
Pakhoed	7	+1.6
Philips	69.6	+0.1
Robeco	75.8	+0.4
Rodamco	138.2	−1.4
Rolinco	69.6	+0.5
Rorento	44	−0.1
Royal Dutch	205.9	+2.6
Unilever	340.3	+2.3
VMF Stork	148.5	+0.5
VNU	208.5	
West Utr Bank	103.5	−0.4

NORWAY

Feb. 19	Price Kroner	+ or −
Bergens Bank	165	+2.5
Borregaard	385	−15
Christiania Bank	160	+1
DenNorske Cred	164	+4
Elkem	146	+4
Kvaerner	182.5	+2.5
Norsk Data	412.6	+3.8
Norsk Hydro	110.6	+2.5
Storebrand	250	+2

SPAIN

Feb. 19	Price Pta %	+ or −
Bco Bilbao	324	+2
Bco Central	331	+2
Bco Exterior	206	
Bco Hispano	165	+1
Bco Popular	376	−3
Bco Santander	341	
Dragados	176	−3
Hidrola	91.7	−8.3
Iberduero	100.5	−1.7
Petroleos	162.5	−3.5
Telefonica	131.2	−2.8

SWEDEN

Feb. 19	Price Kronor	+ or −
AGA	370	
Alfa-Laval	196	−1
ASEA (Free)	380	
Astra (Free)	410	−5
Atlas Copco	107	−1
Cardo (Free)	251	−3
Cellulosa	129	
Electrolux B	307	+3
Ericsson	293	+1
Esselte	340	
Mo Och Domsjo	240	
Pharmacia	210	+5
Saab Scania Free	435	
Sandvik	390	−5
Skandia	287	+2
Skan Enskilda	53.5	−0.5
SKF	195	+3
St Kopparbergs	144	−2
Sven Handelsbn.	173	−8
Swedish Match	239	+2
Volvo B (Free)	279	+2

SWITZERLAND

Feb. 19	Price Frs.	+ or −
Alusuisse	869	+4
Bank Leu	3,800	+25
Brown Boveri	1,600	+10
Ciba Geigy	2,835	+20
do. (Part Certs)	2,260	+80
Credit Suisse	2,390	+5
Elektrowatt	2,700	+10
Fischer (Geo.)	745	
Hoff-RochePtCts	88,250	+875
Hoff-Roche 1/10	8,850	+100
Jacobs Suchard	6,425	
Jelmoli	2,010	+85
Landis & Gyr	1,670	
Nestle	6,440	+110
Oer-Buehrle	1,610	+10
Pirelli	988	
Sandoz (Br)	8,000	+25
Sandoz (PtCts)	1,370	+10
Schindler (PtCts)	750	
Sika	1,150	+10
Surveillance	4,075	−35
Swissair	1,140	+2
Swiss Bank	368	
Swiss Reinsce	9,500	+186
Swiss Volksbk	1,495	+5
Union Bank	3,670	−5
Winterthur	3,700	
Zurich Ins	20,475	+75

AUSTRALIA

Feb. 19	Price Aust $	+ or −
ANZ Group	4.66	−0.04
Alliance Oil Dev.	1.05	
Ampol Pet.	1.77	
Ashton	0.82	−0.01
Aust Cons Ind.	1.96	−0.02
Aust. Guarantee	2.65	+0.04
Aust. Nat. Inds	2.72	+0.18
Aust. Paper	2.57	+0.02
Bell Group	5.6	+0.10
Bell Res	6.06	+0.08
Bond Corp Hldgs	1.98	+0.01
Boral	3.4	−0.02
Bougainville	1.98	+0.02
Brambles Inds.	3.89	+0.16
Bridge Oil	2.92	+0.02
B.H. Prop.	5.26	+0.04
CRA	5.46	+0.06
CSR	2.96	+0.04
Carlton Utd.	4.30	
Castlemaine Tys.	4.85	−0.05
Coles G.J.	4.09	−0.03
Comalco "A"	2.55	+0.05
Consolidated Pet	0.48	−0.01
Costain Aust	1.45	+0.18
Dunlop Aust.	2.24	−0.01
Elders IXL	3.14	+0.07
Energ Res.	1.56	+0.05

AUSTRALIA (continued)

Feb. 18	Price Aust. $	+ or −
Gen Prop Trust	2.25	+0.05
Hardie (James)	3.2	+0.05
Hertogen Energy	2.4	−0.05
Herald W'yTimes	4.15	
ICI Aust.	2.05	+0.05
Jimberlana F.P.	0.28	
Kia Ora Gold	0.13	
Lend Lease	8.84	+0.02
MIM	9.67	+0.04
Meyne Nickless	3.36	+0.06
Myer Emporium	1.9	
Nat. Aust. Bank	8.62	−0.04
News	12.75	+0.05
Nicholas Kiwi	1.85	
North Bkn Hill	2.25	+0.05
Oakbridge	0.70	
Pancont'l	1.18	+0.02
Pioneer Conc.	1.68	−0.02
Poseidon	3	+0.15
Queensland Coal	1.39	−0.02
Reckitt & Coln.	8.58	+0.15
Repco	1.16	−0.02
Santos	5.6	+0.01
Smith (Howard)	3.8	+0.05
Thos. Natwide	2.08	−0.02
Tooth	5.66	+0.06
Vamgas	8.58	+0.03
Western Mining	3.44	+0.04
Westpac Bank	3.55	
Woodside Petrol.	0.87	+0.02
Woolworths	8.38	+0.01
Wormald Intl	3 32	−0.08

HONG KONG

Feb. 19	Price H.K.$	+ or −
Bank East Asia	24.7	+0.1
Cheung Kong	13.8	−0.9
China Light	14.8	
Evergo	1.40	
Hang Seng Bank	47.0	
HK Electric	7.9	+0.05
HK Kowloon Wh.	6.7	+0.2
HK Land	5.05	+0.25
HK Shanghai Bk.	9.0	
HK Telephone	65	−1.5
Hutchison Wpa.	21.3	−0.1
Jardine Math.	10	+0.1
New World Dev.	6.0	−0.05
Orient O'seas	9.6	
O'seas Trust Bk.	2.77	−0.07
SHK Props.	9.3	−0.25
Shell Elect	1.78	
Swire Pac A	24.9	+0.1
TV-B	6.3	
Wheel'k Mard A.	7.1	+0.7
Wheel'k M'time	1.15	
World Int. Hldgs.	2.4	−0.02

JAPAN

Feb. 19	Price Yen	+ or −
Ajinomoto	1,100	+10
Alps Electric	2,250	+10
Amada	1,820	+40
Asahi Chem	665	−1
Asahi Glass	875	−5
Bridgestone	523	−3
Canon	1,410	−10
Casio Comp.	1,930	+110
Chugai Pharm.	1,010	−30
Citizen	595	+7
Daiei	662	−3
Dai Nippon Ptg	1,010	+15
Daiwa House	557	−2
Ebara	357	−3
Eisai	1,730	+20
Fanuc	13,250	+240
Fuji Bank	1,480	+20
Fuji Film	1,820	+30
Fujisawa	1,040	−10
Fujitsu	1,560	+10
Green Cross	1,690	−30
Hasegawa	355	−3
Heiwa Real Est	601	−8
Hitachi	878	+3
Hitachi Credit	1,060	−10
Honda	1,450	−10
House Food	685	
Hoya	2,400	+110
Itoh (C)	325	−4
Ito. Yokado	2,600	+50
Iwatsu	1,130	+20
JACCS	325	−1
JAL	5,100	+50
Jusco	714	+3
Kajima	270	−1
Kao Soap	817	−2
Kashiyama	806	+1
Kirin	563	
Kokuyo	916	
Komatsu	444	+9
Konishiroku	712	+7
Kubota	320	
Kumagai	618	+14
Kyoto Ceramic	6,680	−70
Maeda Const.	455	
Makino Milling	1,460	+10
Makita	1,150	−16
Marubeni	300	
Marudai	551	−7
Marui	1,010	
MEI	1,600	+30
M'ta Elec Works	655	+4
M'bishi Bank	1,470	+10
M'bishi	521	+1
M'bishi Elec	399	−1
M'bishi Estate	565	

JAPAN (continued)

Feb. 19	Price Yen	+ or −
MHI	247	+2
Mitsui Co	350	
Mitsui Estate	654	+7
Mitsukoshi	416	−1
NGK Insulators	956	+4
Nihon Cement	915	−8
Nippon Denso	1,420	−10
Nippon Elect	1,210	
Nippon Express	331	
Nippon Gakki	2,230	+50
Nippon Kokan	155	
Nippon Oil	850	−6
Nippon Seiko	645	−5
Nippon Shimpan	850	
Nippon Steel	148	
Nippon Suisan	328	−7
NTV	12,500	+300
Nippon Yusen	241	−1
Nissan Motor	609	+5
Nisshin Flour	485	+4
Nisshin Steel	156	−1
Nomura	945	−2
Olympus	1,420	+20
Orient Leasing	2,860	+150
Pioneer	3,010	−3
Renown	659	−1
Ricoh	986	−5
Sankyo	1,080	
Sanyo Elect	482	+6
Sapporo	411	−3
Sekisui Prefab	545	
Seven-Eleven	8,880	+180
Sharp	1,070	−10
Shimadzu	823	−10
Shionogi	715	
Shiseido	1,040	−10
Sony	4,400	+70
Stanley	960	+23
S'tomo Bank	1,780	−20
S'tomo Elect	930	
S'tomo Marine	590	−6
S'tomo Metal	145	−1
Taihei Dengyo	460	−1
Taisei Corp	197	−2
Taisho Pharm	1,060	−10
Takeda	831	−8
TDK	6,350	+220
Teijin	436	+1
Teikoku	643	−2
Tokyo Marine	740	+7
TBS	825	+5
Tokyo Elect Pwr	1,540	−10
Tokyo Gas	158	−1
Tokyo Sanyo	728	+4
Tokyo Style	750	
Tokyu Corp	310	−3
Toppan Print	580	+4
Toray	428	−3
Toshiba Elect	435	
TOTO	650	
Toyo Seikan	978	−2
Toyota Motor	1,330	
Victor	2,180	
Wacoal	712	−1
Yamaha	745	+5
Yamanouchi	3,770	−120
Yamazaki	651	−1
Yasuda Fire	372	−10
Yokogawa Bdge.	487	+1

SINGAPORE

Feb. 18	Price $	+ or −
Boustead Hldgs.	1.7	+0.02
Cold Storage	2.68	+0.1
DBS	5.85xa	−0.05
Genting	5.45	+0.05
Haw Par. Bros.	2.27	−0.02
Hong Leong Fin	3.3	+0.02
Inchcape Bhd.	2.53	
Keppel Shipyard	1.69	+0.04
Malay Banking	6	+0.1
Malay Utd. Ind.	2.28	+0.02
Multi Purpose	1	+0.05
OCBC	9.15	−0.1
OUB	3.98	−0.02
Public Bank	1.67	+0.08
Sime Darby	1.91	
Singapore Press	6.50	
Straits Trdg.	4.5	+0.02
Tat Lee Bk.	2.75	+0.04
UOB	4.46	+0.02

SOUTH AFRICA

Feb. 19	Price Rand	+ or −
Abercom	1.3	−0.05
AE&CI	7.15	
Allied Tech	50	−1
Anglo Am Coal	43	
Anglo Am Corp	25.5	+0.15
Anglo Am Gold	160	+1.5
Barclays Bank	14.5	−0.1
Barlow Rand	10	−0.05
Buffels	67.5	+0.5
CNA Gallo	2.2	
Currie Finance	8.5	+0.05
De Beers	9.1	−0.02
Driefontein	48	+0.65
FS Geduld	44.5	+0.75
Gold Fields SA	26.65	+0.15
Highveld Steel	3.95	−0.1
Nedbank	9.8	+0.05
OK Bazaars	13	−0.25
Protea Hldgs	1.5	−0.05
Rembrandt	30.25	
Rust Plat	15.3	
Safren	12.6	+0.6
Sage Hldgs	6.5	
SA Brews	6.15	+0.15
Smith (C.G.)	19	
Tongaat Hulett	6.15	
Unisec	4.6	

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Alexander Hldgs.	9⅞	+2⅞
Appleyard	53	+7
BTR	544	+14
Beecham	365	+15
Britoil	229	+10
Cope Allman	152	+7
Hawker Sid	437	+11
ICI	882	+22
Imperial Grp.	205	+8
Jaguar	332	+12
Lon & Manch Grp	675	+13
Microfocus	845	+45
Pratt (F)	77	+28
Sun Life	730	+12

FALLS

Aitken Hume	182	−11
Booker McCon	245	−7
Impala Plat	£16⅞	−£1
Lex Service	225	−15
Utd Biscuits	212	−9

Continued on Page 36

CANADA

TORONTO

Closing prices February 19

Sales	Stock	High	Low	Close	Chng
8390	Abti Prce	$43	41	43	+2
504	Acklands	$17⅛	17⅛	17⅛	+⅛
2462	Agnico E	$13¾	13⅝	13¾	−⅛
3000	Agra Ind A	$6½	6⅛	6⅛	−⅛
16330	Alt Energy	$20½	20	20	
400	Alta Nat	$15¼	15¼	15¼	−⅛
800	Algo Cent	$20	20	20	
986	Algoma St	$22¼	22⅛	22⅛	−⅛
800	Andrs WA f	$24⅝	24⅝	24¼	−⅛
2380	Argcen	$18⅛	18	18⅛	+⅛
10	Asbestos	$6⅝	6⅝	6⅝	−⅜
17300	Atco I f	$9⅛	9	9	+⅛
112	BP Canada	$27	27	27	
23576	Bank BC	$6	5⅞	5⅞	−⅛
68370	Bank N S	$14	13½	13⅞	
9200	Barrick o	145	141	141	
950	Baton A f	$17	16½	16½	−⅛
26549	Bonanza R	418	330	400	
3000	Bralorne	$5⅛	5⅛	5⅛	
2500	Bramalea	$18	17⅞	18	+⅛
120	Brenda M	$11	11	11	−⅛
8026	BCFP	$11⅛	11½	11⅛	−⅛
66585	BC Res	254	249	249	−5
7980	BC Phone	$22¼	22⅛	22¼	+½
4965	Brunswk	$15¼	15⅛	15¼	+½
4000	Budd Can	$22	21½	22	+⅛
53215	CAE	$16⅛	16½	16½	−⅛
53200	CDistb B 1	$6⅞	6⅜	6⅜	−⅛
1702	Cad Fry	$15¼	15	15⅛	
2640	C Nor West	$24½	24½	24⅝	+⅜
2600	C Packrs	$30	30	30	
24551	Can Trust	$32¼	31½	32⅛	−⅛
100	C Tung	$15¼	15¼	15¼	−⅛
100	CGE	$62⅞	62⅝	62⅝	+1⅛
22380	Cl Bk Com	$31¼	31	31	−⅛
2400	Cdn Nat Res	27	27	27	−3
43492	CTire A f	$9¼	9	9¼	−½
82900	C Util B	$16⅞	16¼	16⅝	−⅛
28966	Cara	$11⅛	11⅛	11⅛	
1056	Celanese	$7⅞	7⅛	7⅛	−⅛
1550	C Distb 4	$6⅛	6⅛	6⅛	−⅛
53200	CDistb B f	$6½	6⅛	6⅜	−⅛
2550	CTL Bank	$11¼	11⅛	11⅛	−⅛
2100	Conventrs	$5⅛	5	5⅛	+⅜
3350	Coseka R	262	261	261	
100	Canron A	$12⅛	12⅛	12⅛	
3350	Crownx	$17⅛	17½	17⅝	+⅛
11700	Czar Res	163	165	168	−1
13218	Daon Dev	345	325	330	−18
1700	Daon A	350	350	350	
8790	Denison A	$15	14⅛	14⅛	−⅛
11690	Denison B f	$13⅛	13⅛	13½	−½
850	Develcon	$9½	9½	9½	−⅛
3200	Dickensn A 1	$5¼	485	5⅛	+⅛
8300	Dickensn B	$5⅛	5	5	−⅛
500	Doman A	267	267	267	−2
6637	Dofasco A	$27⅝	27¼	27½	−⅛
2750	Du Pont A	$17	17	17	
10946	Dylex A	$38	37½	38	+1
7675	Elcthom X	$6⅛	6⅛	6⅛	
5070	Equity Svr	$7⅞	7⅛	7⅛	
1650	FCA Intl	$21⅞	21⅛	21⅞	
6220	G Falcon C	$18⅛	18¼	18⅛	
14186	Fcnbrdge	$97⅛	96¼	96¼	+1⅛
4441	Fed Ind A	$22	21⅞	22	+⅛
6750	F City Fin	$11⅞	11⅛	11⅞	+⅛
550	Fraser	$18⅞	18⅛	18⅞	+⅜
856	Gendis A	$27⅞	27⅞	27⅞	
50752	Genc Comp	$11⅞	11⅛	11⅞	+⅛
17590	Geocrude	260	255	259	−1
3400	Gibraltar	$10⅛	10⅛	10⅛	+⅛
43550	Goldcorp I	$5½	5⅛	5⅛	−⅛
150	Goodyear	$41⅜	41¼	41¼	+⅜
100	Graft O	$31	31	31	+1
4000	Granduc	45	46	45	
6694	GL Forest	$68½	68	68	
100	Gt Pacific	$28⅛	28⅛	28⅛	
1000	Greyhnd	$25	25	25	
200	H Group A	$7½	7½	7½	
6600	Hrding A f	130	127	127	−8
2225	Hawker	$22¼	22	22¼	+⅜
4000	Hayes D	$25⅞	25⅛	25⅞	
6247	H Bay Co	$17⅞	17¼	17⅞	−⅛
4902	Imasco	$53	52¾	53	
1500	Indal	$14½	14⅛	14½	+⅛
1000	Inglis	$13½	13½	13½	+½
2370	Inlend Gas	$16⅛	16	16	−⅛
18450	Intl Thom	$9¼	9⅛	9¼	+⅛
4557	Intpr Pipe	$34	33⅞	33¾	
1000	Ivaco B	$21½	21⅛	21⅛	+⅛
4771	Jannock	$12½	12⅞	12⅞	
100	Kam Kotia	105	106	105	+1
250	Kelsey H	$37⅛	37	37¼	−½
10220	Kerr Add	$17	16⅞	17	
15724	Labatt	$25⅛	24¾	24⅞	−⅛
7219	Lac Mnrls	$28	27⅛	28	−⅛
2000	LOnt Cem	$11⅞	11½	11½	−⅛
3018	Lacana	$10⅛	10⅛	10⅛	−⅛
1555	LL Lac	$30	29¾	30	−⅜
1788	Loblaw Co	$19½	19⅛	19⅜	−⅛
823	MDS H A	$20⅛	20	20	−⅜
1000	MICC	230	230	230	
26075	Mclan H X	$26⅛	26	26	−⅛
4182	Merland E	420	415	420	+5
9879	Molson A f	$16¼	16⅛	16⅛	
2100	Molson B	$16⅞	16½	16½	−⅜
500	Murphy	$21¾	21¾	21¾	
2400	Nabisco L	$26	26	26	
39362	Noranda	$19½	19⅛	19⅛	−⅛
28271	Norcen	$14¼	14¼	14¼	−⅜
49153	Nva AltA f	$7⅛	7	7	
700	Nowsco W	$22	21⅜	21⅞	
36845	NuWst sp A	70	59	69	+5
4100	Oakwood	85	495	495	−5
400	Oshawa A f	$24¼	24⅛	24⅛	−⅛
3800	Pamour	475	470	475	
3250	PanCan P	$28½	28½	28½	
80	Pembina	$17⅞	17⅞	17⅞	−½
500	Phonix Oil	$7⅞	7⅞	7⅞	+⅛
483	Pine Point	$27¼	27	27	−⅜
31055	Placer	$24⅛	24⅛	24⅛	−⅛
1539	Provigo	$10	12	19	
9200	Que Sturg o	400	375	400	+25
200	Ram Pet	$6¼	6⅛	6⅛	
1000	Rayrock f	$6⅞	6⅞	6⅞	−⅛
17858	Redpath	$33⅛	32⅞	33¼	−⅜
18654	Rd Stenhs A	$22	21¾	21⅞	
2235	Reichhold	$14⅝	14⅝	14⅝	−⅛
24100	Res Serv f	198	180	190	+10
1503	Revn Prp A	111	111	111	+1
59200	Rogers A	$6⅞	6½	6⅝	
1218	Roman	$12½	12⅛	12⅝	−⅜
9069	Sceptre	$5⅞	5¼	5¼	
400	Scotts f	$19⅛	19⅛	18⅞	+⅜
5005	Sears Can	$9⅜	9	9⅜	
19800	Shell Can	$23⅞	23⅛	23⅞	−⅛
9705	Sherritt	$8⅛	8	8	−⅛
200	Sigma	$8¾	8⅛	8⅛	−⅛
2100	Slater B f	$11⅛	11⅛	11⅛	+⅛
10700	Southm	$55⅛	55¼	55⅛	+⅛
13807	Stelco A	$22⅞	22¼	22½	−⅛
3617	Sulpetro	242	240	240	−2
870	Steep R	335	330	330	−5
115	Suncor pr	$24	24	24	
14100	Sydney o	28	27½	27½	−1½
10100	Talcorp	95	93	95	
300	Tara	$16½	16	16	−⅜
1300	Teck Cor A	$12	11⅞	11⅞	−⅜
6734	Teck B f	$11⅞	11⅛	11⅛	
500	Teledyne	$11	11	11	
7887	Tex Can	$34¼	34⅛	34½	+⅛
338	Thom N A	$33⅞	33⅜	33⅝	
34341	Tor Dm Bk	$19¼	19⅛	19⅛	
3363	Torstar B f	$19½	18¾	19½	+⅛
3331	Traders A f	$22⅛	22⅛	22⅛	−⅛
3575	Trns Mt	$7⅞	7⅝	7⅞	+⅛
500	Trinity Res	450	445	450	
35073	TrnAlta UA	$24⅛	23⅞	24⅛	+⅜
15666	TrCan PL	$22⅞	22⅞	22⅞	+⅛
52338	Trimac	450	440	450	+5
1102	Trizec A f	$25½	25⅛	25½	
17359	Turbo f	60	53	60	+7
8425	Unicorp A f	$8½	8⅛	8⅛	+⅛
16478	U Entrprse	$12⅛	11⅞	12	
375	U Keno	$9	9	9	
550	U Siscoe	100	100	100	−10
500	Van Der	280	280	280	
19603	Versil A f	$7¼	7½	7⅞	+⅛
4000	Vestgron	$11⅞	11¼	11⅞	+⅛
218	Waldwod	$16⅛	16⅞	16⅛	
97800	Westmin	$13¼	13⅛	13¼	+⅛
975	Weston	$79½	79½	79½	−½
4385	Woodwd A	$11⅛	11	11	
1160	Yk Bear	$11½	11⅛	11⅛	+⅛

Total sales 11,167,385 shares

MONTREAL

Closing prices February 19

Sales	Stock	High	Low	Close	Chng
74071	Bank Mont	$27⅛	26⅞	27	+⅛
2894	ConBath	$16⅞	16⅝	16⅝	+⅛
5128	DomTxtA	$12	11½	11½	+⅛
54874	NatBk Cda	$16⅜	16⅛	16⅜	+⅛
2694	Power Corp	$29⅛	29⅛	29⅛	−⅛
6080	RollandA	$20⅞	20⅛	20⅞	
1900	RollandB	$20	20	20	−⅛
36766	Royal Bank	$30⅞	30⅜	30½	
550	RoyTrstco	$16⅛	16	16	−⅛

Total sales 2,244,881 shares

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 27

NEW YORK CLOSING PRICES

Continued from Page 27

LONDON STOCK EXCHANGE

MARKET REPORT

Late U.S. support extends sharp gains in select band of international stocks

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Feb 11	Feb 21	Feb 22	Mar 4
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1

* "New-time" dealings may take place from 9.30 am two business days earlier.

One of the few features to emerge from a drab trading session in London yesterday was a marked revival in a select band of international stocks. The demand was in recogniton of their overseas earnings potential on the back of an ever-strengthening dollar. Most leading currencies suffered the backlash of the latest outbreak of dollar enthusiasm and sterling performed well to close only slightly lower on balance.

Investors otherwise showed little inclination to commit funds. Budget possibilities were an inhibiting influence with traders doubting the Institute of Fiscal Studies' assumptions of scope for taxation cuts of around £1.5bn. A Public Sector Borrowing Requirement now likely to exceed £10bn for 1984-1985 also put a damper on sentiment.

Business in the Gilt-edged sector was especially slow. Professional operators were reluctant to take a view because of the market's recent volatility, while the insurance institutions and building societies seemed content to await a more settled interest rate situation; period money market rates held close to the current 14 per cent level of bank base rates. Gilt-edged quotations ended with minor changes in either direction but specialist demand took Exchequer 11 per cent 1989 up ⅛ to 96½; the stock will be quoted clean of accrued interest this morning.

American support drawn by the high-flying dollar took selected blue chip industrials higher still in the after-hours' business. ICI, scheduled to announce the preliminary statement on Thursday week, was the main target but BTR, Beecham, Hawker Siddeley and Lucas Industries all achieved double-figure rises. Partly as a result of these sharp gains, the FT Ordinary share index closed 7 points up at 977.5, after having opened the session marginally lower.

Insurances dip and rally

A Savory Milln seminar at which speakers expressed the view that the Chancellor would make no major changes to the current rules on pension tax relief in the forthcoming Budget helped Insurances recover strongly from a weak opening. Life issues rallied well to close firmer on the day with London and Manchester finally 12 up at 675p, after 645p, and Legal and General 5 better on balance at 590p, after 573p. Pearl were ¼ dearer at £11¼, after £11, and Prudential 5 to the good at 530p, after 515p. Composites were also dull initially, but here too, prices staged a good recovery to close virtually unchanged on the day.

The major clearing banks held up well in the face of further worries about the South American debt situation; news that the Argentine economy minister had resigned caused little more than a dribble of selling and prices subsequently steadied to close virtually unchanged. Elsewhere, recently-dull Royal Bank of Scotland rallied 4 to 238p on the appearance of "cheap" buyers and the new nil paid shares hardened a couple of pence to 27p premium.

Wallpaper and fabric designers Osborne and Little, which staged a good debut in the Unlisted Securities Market on Monday, attracted fresh support and rose 16 to 218p compared with the placing price of 125p.

Breweries regained a certain level of composure after Monday's setback on Whitbread's legal tussle in the U.S. Bass firmed 8 to 508p, while Allied-Lyons hardened a couple of pence to 172p. Whitbread "A" were unchanged at 195p. Distillers also attracted modest support and finished a few pence harder at 287p.

Business in the Building sector remained in low key and the leaders fluctuated narrowly prior to closing a shade easier on balance. Tarmac settled 6 off at 468p and RMC lost 4 to 388p, while Blue Circle softened 3 to 502p. Among Contracting and Construction issues, George Wimpey shed 2 to 100p on lack of interest, while recently-firm Ward Holdings eased 3 to 160p; the latter's annual results are due tomorrow. Elsewhere, Henderson Group firmed 5 to 285p in belated response to acquisition news, while Jayplant, still reflecting an investment recommendation, added a penny more to 30p. USM-quoted United Ceramics continued to attract buyers and gained 3 more to 82p. Timbers drifted lower in the absence of buyers, Magnet and Southerns losing 4 to 112p and Meyer International slipping 2 to 113p.

ICI encountered revived U.S. support on currency considerations and rose 22 to 862p; the annual results are due on February 28. Among other Chemicals, favourable Press comment failed to sustain Laporte, 3 cheaper at 405p, but the chairman's optimistic statement at the annual meeting helped Morceau Holdings rise 4 to 188p. Coalite firmed 3 more to a 1984-1985 peak of 242p, but Allied Colloids slipped a couple of pence to 230p.

Leading Retailers continued to present a drab profile. Woolworth shed 8 to 575p, while smaller losses were noted for Burton, 413p, and Debenhams, 208p. Secondary counters were irregular. Vantona Viyella, preliminary figures expected next Tuesday, rose 4 to 206p, while buyers displayed fresh interest in Time Products, 1½ up at 33p, and in Combined English, 4 better at 105p. In contrast, Ernest Jones eased a couple of pence to 78p as the full-year profits fell below market expectations.

Leading Electricals remained friendless and most quotations closed a few pence cheaper on the day. Elsewhere, NEI were favoured and put on 5 to 83p, while Microfocus closed 45 higher at 845p after 880p, amid talk of favourable prospects for the company's workbench computer. Kode rallied 10 to 180p and AB Electronic were a similar amount higher at 395p. STC drifted off to close 4 cheaper at a 1984-85 low of 186p, while BSR, awaiting next month's preliminary figures, gave up 5 at 125p.

Overseas earners were to the fore among the Engineering leaders, and Hawker improved 11 to 437p, while GKN 6 to 208p. Among secondary issues, W. Pratt featured a late jump of 28 to 77p on the 78p per share cash offer from 600 Group, 1¼ dearer at 90½p. Occasional support left Delta 5 to the good at 130p, while further buying developed for Weir Group, 3 up at 50½p. Smaller-priced issues to make progress included S. W. Wood 3 higher at 21p, and Woodhouse and Rixson, a penny firmer at 25½p.

Foods displayed no set trend. United Biscuits, a firm market recently on takeover speculation, shed 9 to 212p in the absence of any developments, but buyers showed interest in Rowntree Mackintosh, which rose 5 to 375p. Retailers were inclined easier with J. Sainsbury a couple of pence cheaper at 304p and Kwik Save 4 off at 182p. Elsewhere, Associated Fisheries attracted early support and touched 113p before profit-taking left a close of 3 cheaper on balance at 108p.

Beecham advance

Trade in the miscellaneous industrial leaders centred around the international stocks. Beecham stood out with a gain of 15 to 365p, while BTR rose 14 to 644p. Glaxo hardened ½ to £11½ helped by Press comment on prospects for its Zantac drug in Japan. Boots, in contrast, gave up 4 to 189p in sympathy with other store shares. Trafalgar House were also a dull market at 368p, down 8. Elsewhere, Cape Allman responded to better-than-expected interim figures with a rise of 7 to 152p, but Henry Boot dipped 45p to 272p on news that its 50 per cent-owned Inry had been placed into receivership. Awaiting further bid developments, Booker McConnell drifted down 7 to 245p, while Dee Corporation ended 5 off at 198p. Manchester Ship Canal rallied 9 to 310p following the disclosure that the Water Authorities' superannuation fund had acquired an interest in 200,000 Ordinary shares. Still reflecting newspaper comment, Ecobric advanced 10 further to 43p, while mention also accounted for a rise of a couple of pence to 40p in Cowan de Groot. Cookson, reflecting its overseas earnings potential, improved 5 to 575p.

Attention among Motor sectors again centred on Jaguar: sold down to 316p in the early business amid renewed fears of U.S. import controls, the shares staged a smart recovery, albeit largely attributable to technical influences, and settled 12 up on balance at 332p. Elsewhere, sellers again predominated in Dowty, 5 off at 205p, but Flight Refuelling hardened a few pence to 319p, while Lucas advanced 11 to 257p. Distributors featured fresh strength in takeover favourite Appleyard, 7 up at a 1984/85 peak of 53p. Alexanders, in belated response to the reduced full-year loss and proposed 10 per cent scrip issue, improved 2½ at 9½p. Lex Service, depressed last week following a sharply reduced profits forecast from brokers Phillips and Drew, eased 15 further to 225p as sellers held sway following conflicting advice in newspaper city columns.

Leading Properties traded on a steadier note. Land Securities slipped to 292p initially, but later reverted to the overnight level of 294p. MEPC, a particularly dull market on Monday, lost a penny more to 296p in the continued absence of support. On the other hand, Great Portland Estates attracted occasional interest and firmed 2 to 150p, while Peachey improved the same amount to 246p following the satisfactory annual results. Stock Conversion settled a few pence dearer at 418p, but recently-firm Mountview Estates lost 10 to 315p.

Textiles pursued no set trend. Tootal, currently in receipt of an offer from Entrad of Australia, firmed a few pence to 74p, but losses of 7 were common to Sirdar, 130p, and recent speculative favourite David Dixon, 163p.

A similar tendency prevailed in Tobaccos. Imperial Group responded to fresh American support and advanced 8 at 205p, while Rothmans International gave up 5 at 179p, and Bats eased a couple of pence to 363p, after 360p.

The cautious tenor of the Press response to the proposed association between Aitken Hume and Fleet Holdings left the former 11 off at 182p; Fleet, which revealed excellent interim figures on Monday, shed 3 at 265p.

Britoil gain ground

A gradual improvement in leading Oils gathered pace after-hours and Shell settled 5 to the good at a year's best of 785p, while BP added a like amount at 570p. Royal Dutch closed ½ dearer at £50¼, after a 1984/85 high of £50¾.

Britoil were particularly impressive late, and moved ahead to close at 220p for a net gain of 10. Enterprise put on 5 to 197p and Burmah edged up 2 to 217p. Tricentrol hardened a shade to 200p in ex-rights form, while the 11 per cent Convertible stock settled at £16 premium, after opening at £15 and touching £16½ premium.

Secondary issues were much quieter. Great Western Resources gave up 10 at 260p owing to profit-taking, while Irish issues showed Osceola Hydrocarbond 10 lower at 165p and Bryson 4 off at 105p.

Impala weak

Impala Platinum were a major casualty in generally depressed mining markets and fell a full point to £10½ following the interim profits setback. Rustenburg Platinum were only mildly upset, easing 5 to 770p, but Lydenburg dropped 20 to 575p. Bullion's easier trend left South African Golds with widespread losses but falls owed more to a general lack of interest rather than any weight of selling. The Gold Mines index dipped 8.0 to 503.4—its first decline in six trading days. Losses in the heavyweights ranged to £2½, as in Randfontein, £83½, but the majority of issues showed falls in the region of ½ to £1½. Cheaper-priced issues came under pressure in mid-morning with Unisel and Welkom down 20 apiece at 653p and 658p respectively.

South African Financials were easier where changed. Anglo American Corporation, rumoured to be interested in Far Eastern expansion, were a fraction off at £11½. "Amgold" fell ½ to £75½ and coal producer Transvaal Consolidated Land lost ½ to £28. Elsewhere, Minorco gave up 10 to 740p following the results from its U.S. associate Phibro Salomon.

UK Financials showed Consolidated Gold Fields a few pence easier at 518p, reflecting the trend in both gold and gold shares, but Rio Tinto-Zinc staged a good rally from an initially depressed 652p and closed a net 5 firmer at 660p following renewed American buying.

Australians weakened across the board. Among the leaders, CRA gave up 10 at 352p, while Peko-Wallsend and Western Mining lost 6 apiece at 290p and 223p respectively. MIM Holdings dipped 5 to 171p.

Elsewhere, Cobra Emerald were marked down 8 to 90p following the results.

Demand for Traded Options continued to decline and total contracts struck amounted to 6,974—well below recent levels of business; last week's daily average was 10,041. British Telecom accounted for 664 calls and 808 puts, largely reflecting substantial hedging operations, while Imperial Group attracted 606 calls and 103 puts.

FINANCIAL TIMES STOCK INDICES

	Feb. 19	Feb. 18	Feb. 15	Feb. 14	Feb. 13	Feb. 12	year ago
Government Secs	79.76	79.63	80.13	78.65	79.29	79.63	82.96
Fixed Interest	83.70	83.91	83.97	83.55	83.36	83.48	87.09
Ordinary	977.5	970.5	979.9	964.7	977.9	970.1	819.3
Gold Mines	503.4	511.4	495.8	492.7	490.1	489.7	652.4
Ord. Div. Yield	4.40	4.44	4.40	4.57	4.39	4.42	4.49
Earnings, Yld.% (full)	11.00	11.11	10.99	10.96	11.04	11.04	2.69
P/E Ratio (net) (*)	10.92	10.81	10.93	11.02	10.96	10.88	13.03
Total bargains (Est.)	23,432	24,752	24,440	23,686	24,061	20,320	20,538
Equity turnover £m.	—	331.93	415.07	465.39	338.61	414.23	258.41
Equity bargains	—	24,615	22,117	23,695	20,078	28,187	18,687
Shares traded (ml)	—	166.5	218.9	236.8	170.0	216.1	145.8

10 am 969.6. 11 am 972.3. Noon 973.2. 1 pm 974.1. 2 pm 974.3. 3 pm 974.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026. Nil=10.89.

HIGHS AND LOWS — S.E. ACTIVITY

	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low		Feb. 18	Feb. 15
Govt. Secs.	83.77 (3/1/84)	74.73 (28/7/84)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	140.6	142.9
Fixed Int.	87.48 (14/2/84)	80.43 (20/7/84)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	159.6	145.2
					Value	679.9	636.0
Ordinary	1004.5 (22/1/85)	755.3 (23/7/84)	1004.5 (22/1/85)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	141.0	142.9
Gold Mines	711.7 (3/4/84)	459.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	146.0	144.8
					Value	794.4	886.1

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues Feb 19 1985

Figures in parentheses show number of stocks per section

FIXED INTEREST

PRICE INDICES		AVERAGE GROSS REDEMPTION YIELDS
1 British Government 5 years	2 5-15 years	3 Over 15 years
4 Irredeemables	5 All stocks	6 Debentures & Loans
7 Preference	8 All stocks (British Government Index-Linked Stocks)	

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 22,886.

A=Ask B=Bid C=Call P=Put

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (72)

BRITISH FUNDS (3)
Treas. 2pc I.L. '88 Treas. 2½pc I.L. '09
Treas. 2pc I.L. '90
AMERICANS (2)
Arid Tech Republic N.Y. Corp.
CANADIANS (2)
Hollinger Inland Natural Gas
BUILDINGS (3)
Cement-Roadstone United Ceramic
Henderson Group

NEW LOWS (12)

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Feb 18	Mar 1	May 30	June 10
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8

For rate indications see end of Share Information Service

Money was given for the call of Meckatbara, Combined Technologies, Sound Diffusion, Debenhams, Muirhead, Dunlop, Talbex, Southwest Resources, Grovebell, British Car Auction, Bristol Oil and Minerals, Fleet Holdings, Charterhouse Petroleum and North Kalgurli. Puts were struck in Farnell Electronics and Riley Leisure. No doubles were reported.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

RISES AND FALLS YESTERDAY

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

LONDON TRADED OPTIONS

Feb. 19 Total contracts, 6,974. Calls 4,446. Puts 2,528.
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102¼	99¾	Exch 12pc Cnv. 85	99⅞		12.02	14.61
97¼	93	Treas 3pc 1985	97⅞	−⅛	3.08	13.52
102⅞	99¼	Treas 11½pc 1985	99½		11.56	12.80
99¼	96	Treas 8¼pc Cnv '85	98	+⅛	0.93	12.71
104	99½	Exch. 12¼pc 1985	99¾		12.28	12.48
103	99	Exch. 11¼pc '86	99		11.80	12.24
102	96	Treas. 10pc Cnv 1986	97½	−⅛	10.26	12.37
93¼	88¼	Treas 3pc 1986	93	+⅛	3.22	8.79
102	96¼	Exch. 10½pc Cv '86	97¾	−⅛	10.73	12.36
104	99	Treas 12pc 1986	99		12.04	12.21
98¼	93½	Treas 8½pc 1984-86	95¼		8.88	11.91
108	102	Exch. 14pc 1986	102		13.62	12.05
89	85	Exch 2½pc 1986	88¼		2.83	9.87
107	100	Exch. 13¼pc 1987	102¼		12.96	11.88
100⅞	94½	Treas 10¼pc Cv '87	97¼		10.54	11.85
87¼	83¼	Exch 2½pc 1987	86¾	+⅛	2.89	10.01
101	94½	Exch 10½pc 1987	97¾	+⅛	10.76	11.77
92¼	87	Funding 6½pc '85-87	90½		7.19	11.58
99⅝	92⅞	Treas. 10pc 1987	96	−⅛	10.40	11.91

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]							
410	210	♥Centennial Min'ls.	255	-35	—	—	—
175	70	♥Colby Res Corp.	80	+5	—	—	—
955	450	Cons. Murch. 10c	500	.....	†Q100c	1.4	8.9
40	25	‡Emess Int. Ir10p	39	....	—	—	—
252	150	Hampton Areas 10p	193	.....	3.75	2.1	2.6
225	140	♥Highwood Res.	175	+5	—	—	—
£24½	£16	Homestake Mining $1	£21¼	.....	Q20c	—	0.8
295	136	♥McFinley Red Lake	190	.....	—	—	—
240	101	♥Muslo Explorations	230	+5	—	—	—
55	23	♥New Sabina Res C$1	28	.....	—	—	—
365	220	Northgate C$1	330	+5	—	—	—
728	500	RTZ	660	+5	†18.0	2.7	3.9
£155½	£113½	Do 9½pcLn '95-2000	£141½	+1½	Q9½%	35.4	—
£13¼	850	♥Tara Expln $1	£12¼	+¼	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ♥ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✚ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ✚ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- 7 Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. 9 Net dividend and yield. H Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	95	.....	Arnott	157	.....
Craig & Rose £1	£10	.....	CPI Hldgs	58	.....
Finlay Pkg. 5p	60	.....	Carroll Inds.	106xd	+1
Higsons Brew	115	.....	Dublin Gas	60	.....
Holt (Jos) 25p	830	-10	Hall (R. & H.)	47	.....
IoM Stm. £1	123	.....	Helton Hldgs.	16	.....
IRISH			Irish Ropes	37	.....
Exch. 12% 1985	£99⅝	.....	Jacob (W. & R.)	58	.....
Nat. 9¾% 84/89	£85	.....	TMG	100	.....
Fin. 13% 97/02	£89⅛	.....	Unidare	82	.....

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	18
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	30	Vickers	19
BSR	16	Hse of Fraser	38	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	10	Cap Counties	18
Barclays Bank	48	Jaguar	28	Land Secs	28
Beecham	22	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds	28	Brit. Oil & Min	9
Brit. Telecom	£1	Marks & Spcr	£1	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	6	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	£1	Charter Cons	18
FNFC	8½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	30	Lonrho	14
Gen Electric	17	Sears	11	Rio T Zinc	56
Glaxo	85	TI	28		
Grand Met	25	Tesco	28		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page.

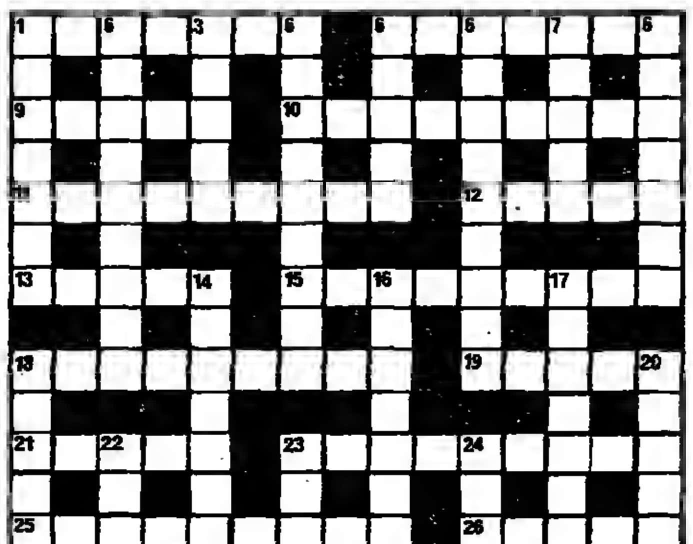
"Recent Issues" and "Rights" Page 29

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,649



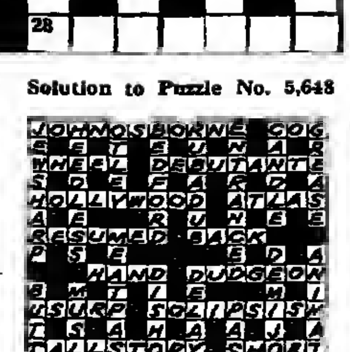
ACROSS

1 They frighten batsmen in glasses (7)
5 See 1 down
9 Land in the sea (5)
10 Port gives mother a bad character (9)
11 One likely to succeed, if he hasn't already (9)
12 Yet it provides academic standing (5)
13 Pass out of college (5)
15 Classical equivalent of Tom, Dick and Harry (3, 6)
18 A witness taking no part in the proceedings (9)
19 Householder in no hurry to move (5)
21 Did some pressing (5)
23 *Digs* for a convalescent? (3-6)
25 Battle helmet (9)
26 Angry as a rodent that is trapped (5)
27 They're barely seen on the beach (7)
28 Biblical city where sheep stray before us (7)

DOWN

1 and 5 across: Final accounts for those about to retire (7, 7)
2 Lacking a game to play—or rivals (9)
3 It may be there in space (5)
4 Scored, but taken from the field (9)
5 Wood spirit (5)
6 *First light?* (3, 6)
7 Home help returned to the country (5)
8 *A double rum is put out for a Japanese officer* (7)
14 They manufacture eye-drops (4, 5)
16 Treat lightly (9)
17 Ruins, lays waste at any rate (9)
18 A drink and a biscuit (7)
20 Generous gifts said to be from Swiss capital (7)
22 It's very cold in Archangel I discovered (5)
23 They may be strung up by the neck (5)
24 Flower head of hydrangea comes from Ireland (5)

Solution to Puzzle No. 5,648



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.68		+0.04	—

Int. Adv.: M. & G. Inv. Mngt., Ltd, London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Cmdt. Fund	12.8	13.3	....	3.10
Chinese Fund	57.1	59.5	...	1.70
Precious Metal Fund	69.6	72.5	....	0.30
Vanguard Endy Fd.	19.4	19.9	..	0.00
Financial Futures Fd.	32.4	33.7	...	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd.	$8.07		+0.17	—

Money Market Trust Funds

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. 01-236 0952

	Nom	CAR	Int Cr	Notice
Call Fnd	13.80	14.37	6-mth	Call
7-day Fnd	13.84	14.41	6-mth	7-day

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

	Nom	CAR	Int Cr	Notice
Call Fnd	13.80	14.27	6-mth	Call
7-day Fnd	13.88	14.36	6-mth	7-day
Money Mngt. Acct.	13.82	14.33	3-mth	Call
Dollar	7.12	7.24	6-mth	2-day

Money Market Bank Accounts

Allied Hume
30 City Road, EC1Y 2AY. 01-638 6070

	Nom	APR	Int Cr	Notice
Treasury Acc.	13.75	14.48	Qtrl	Call
Mth. Int. Chq.	13.50	14.37	Mthl	Call

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-628 8060

	Nom	APR	Int Cr	Notice
Cheque Acc.	13.20	14.03	Mthl	Call

Barclays Prime Account
PO Box 125, Northampton 0604 252891

	Nom	APR	Int Cr	Notice
High Int. Cheque	13.25	13.92	Qtrl	Call

Britannia Grp of Investment Companies
29 Finsbury Circus, EC2M 5QL. 01-588 2777

	Nom	APR	Int Cr	Notice
Over 4,000	13.25	14.09	Mthl	Call

Charterhouse Japhet plc
1 Paternoster Row, EC4M 7DH. 01-248 3999

	Nom	APR	Int Cr	Notice
Sterling	13.25	14.085	Mthl	Call
U.S. Dollar	7.50	7.763	Mthl	Call
German Marks	5.0	5.115	Mthl	Call
Swiss Francs	2.0	2.018	Mthl	Call
Japanese Yen	5.0	5.116	Mthl	Call

Co-operative Bank
78-80 Cornhill EC3 01-626 6543 Ex 464

	Nom	APR	Int Cr	Notice
Under £1,000	12.00	12.55	Qtrl	Call
Over £1,000	14.00	14.75	Qtrl	Call

Dartington & Co Ltd
Dartington, Totnes, Devon TQ9 6JE. 0803 862271

	Nom	APR	Int Cr	Notice
Money Mkt Acc.	13.50	14.20	Qtrl	Call

Henderson/Bank of Scotland
38 Threadneedle St EC2P 2EH 01-628 8060

	Nom	APR	Int Cr	Notice
Money Mkt. Cheque Acc.	13.00	13.80	Mthl	Call

Lombard North Central PLC
17 Bruton St, W1A 3DN. 01-409 3434

	Nom	APR	Int Cr	Notice
Notice Dep	13.25	13.48	Daily	14-day

M & G/Kleinwort Benson
91-99 New London Rd, Chelmsford. 0245 51651

	Nom	APR	Int Cr	Notice
High Int Cheque Acc.	13.25	14.10	Daily	Call

Midland Bank plc
PO Box 2, Sheffield. 0742 20999 Ext 8738

	Nom	APR	Int Cr	Notice
High Int Call	13.25	13.92	Qtrl	Call

Provincial Trust (formerly Choulartons)
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011

	Nom	APR	Int Cr	Notice
Cheque Acc	14.00	14.93	Mthl	Call

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966

	Nom	APR	Int Cr	Notice
High Int. Bk. Acc.	13.30	14.00	Daily	Call
Premier Acc.	13.30	14.00	Daily	Call

Tyndall & Co
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241

	Nom	APR	Int Cr	Notice
Demand Acc	13.69	14.41	Qtrl	Call
Money Acc.	13.50	14.20	Qtrl	Chq/7

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

	Nom	APR	Int Cr	Notice
Special Acc.	13.50	14.37	Mthl	Call
Over £10,000	13.75	14.65	Mthl	Call

Notes: CAR—compounded annual rate. Int Cr = frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Animal feed group blames milk quotas for collapse

BY ANDREW GOWERS

ONE OF West Germany's largest animal feed compounders, Plange-Kraftfutter, has applied to the courts for protection from its creditors following a severe liquidity crisis.

The move, in which the company will seek to reach a settlement with its creditors under German bankruptcy law, stems in part from the European Community's imposition of milk production quotas last April, which drastically cut demand for dairy feed.

The crisis is believed to have followed a dispute between the company's three owners, the German cereal trader Becker, the milling company Roland-Muehler and the Plange family, over a possible increase in its capital, and the cancellation of credit lines by its banks.

But officials of the company, speaking at its Bremen headquarters yesterday, insisted that its difficulties did not stem from a heavy debt burden. "It was purely a liquidity problem which could have been solved. This move should not have been necessary," said one.

Negotiations are now taking place with creditors, and will probably result in parts of the business being sold off as well as the closure of a substantial part of its capacity. Only the company's Schraeder subsidiary is exempt from the proceedings.

Plange - Kraftfutter, with annual turnover of more than DM 600m and sales of more than 1m tonnes of dairy concentrate a year, is one of Germany's three largest feed companies. Its fate is a dramatic illustration of the difficulties now facing the industry throughout the EEC as a result of cuts in milk output.

Dairy compounds account for the largest portion of the industry's sales, but farmers have reduced their purchases in a bid to cut costs and milk yields.

The German feed industry association estimates that demand for dairy concentrates there has fallen by between 20 and 25 per cent from its previous level of 7m tonnes following the introduction of dairy quotas, and competition between compounders has sharpened considerably.

Officials at the association's Bonn headquarters were surprised at Plange's move because demand for feed appeared to have recovered somewhat since the turn of the year.

Industry observers reckon that about half of Plange's capacity could close as a result of the court proceedings. "This will certainly remove some of the current pressure of overcapacity from the market," said one.

The situation is similar in most community states. According to a report on the European animal feed industry to be published soon by Agra-Europe, compounders will be under increasing competitive pressure in the next 10 years because of rising costs and stabilising consumption.

It says EEC feed output has increased 68 per cent over the last 10 years, reflecting the expansion of the livestock industry and more intensive farming.

Pessimism marks start of cocoa talks

By John Edwards, Commodities Editor

TALKS on a new International Cocoa Agreement started in Geneva yesterday—a day late because heavy snowfalls delayed the arrival of delegates—on a pessimistic note. It is the third attempt to negotiate an agreement to replace the existing pact that expires in September and few observers expect it will be any more successful than the first two attempts.

Mr Rene Montes of Guatemala was formally appointed chairman, succeeding Mr Mario Aleman of Ecuador, who stood down after the last full negotiating conference was adjourned in November.

Mr Montes said yesterday: "It is obvious there is a political will to arrive at a new agreement"—a statement that may have surprised many delegates. All the indications are that there is very little desire to agree a new pact; the most likely result is that the existing agreement will be extended for another year, until September 1986, but even that is not certain.

The main issue is the agreement's price range, currently between a "floor" of 106 cents and a "ceiling" of 146 cents a lb which is supposed to be maintained by buffer stock purchases and sales.

European consumers say that the rise in the value of the dollar has made this range unrealistically high and some of them favour selling off the existing buffer stock holdings of some 100,000 tonnes of cocoa.

Under the present agreement the buffer stock cannot be liquidated until the market reaches 146 cents (it is currently just over 100 cents).

In addition producing countries would like to strengthen a new agreement with a system of export quotas to back up the buffer stock in supporting the market — the mechanism used by the International Tin Agreement.

Consumers are opposed to this.

Ivo Dawnay interviews the new EEC agriculture commissioner

Andriessen hints at direct farm aid

MR FRANS ANDRIESSEN, the new EEC farm commissioner, has had the shortest political honeymoon of all of his colleagues.

While other commissioners were still rearranging their office furniture, the former Dutch finance minister had just three weeks to prepare a comprehensive new farm prices package for 1985-86 and to tackle a head-on row with farm ministers over application of the "superlevy" on surplus milk production.

His solutions to these problems have, inevitably, drawn criticism from both militant farmers and opponents of the common agricultural policy (CAP).

In a wide ranging interview with the Financial Times, Mr Andriessen defended his austere, but less than punitive, prices package and his olive branch of concessions on the technical regulations of the superlevy.

But, more specifically, he hinted strongly that more radical solutions — including direct financial aids to boost farmers' incomes—may be necessary to tackle the long-term future of the CAP, now once again the subject of a review to be completed by this summer.

Essentially, this new appraisal, like the prices package, is widely expected to reflect the orthodoxies for which Mr Andriessen is admired. It looks likely to be both conservative in its approach, adhering broadly to the lines proposed by the last commission in 1983, yet pursuing vigorous financial restraint wherever this can be applied.

But the fact that the commissioner has called for a close examination of direct cash aids to the poorest farmers is significant. It implies that the conventional wisdom of the CAP—that price and market management alone are sufficient instruments to control expenditure—may no longer be enough to tackle its objective of maintaining the lowest farm incomes.

The commissioner claimed that the post-Stuttgart farm policy review of 1983 had first raised the possibility of direct cash support income. But, he added that any consideration of the proposal should be firmly based on the premise that it would be temporary and applied community-wide.

Furthermore, a move in this direction would have to be properly integrated with the two other prime considerations of CAP managers, attention to the market and firm prices policy.

Many CAP reformers are critical of the indiscriminate nature of guaranteed product prices which they claim over-reward large farmers while in-tion" that finance and farm sufficiently supporting the small. But several northern countries, such as the UK, would be

Frans Andriessen: Will he wield the stick?

equally wary of any changes that would reduce their slice of the CAP cake.

Mr Andriessen welcomed guardedly the closer involvement of finance ministers in the price fixing process, while insisting that the ultimate authority rested with their farm colleagues.

At the same time, he put heavy emphasis on the responsibility of ministers to abide by decisions they themselves had taken in council.

In a clear criticism of West Germany's refusal to accept cuts in cereal prices, he insisted: "I cannot accept ministers saying in one year that you should apply a certain mechanism to bring down production and costs, then at the moment you have to take difficult decisions they say: 'That's not for this year, that's for the future'."

Nevertheless, he strongly defended his decision to limit the proposed price cut on cereals to 3.6 per cent instead of the full 5 per cent some argue is required under rules triggered by last year's bumper harvest.

This was an area where "economic realities touch upon political possibilities," he said. Green currency changes in West Germany and the Netherlands would make the cut, in effect, near to the 5 per cent figure.

Mr Andriessen also gave a firm warning that his package of changes to the milk superlevy was not a sign of weakness.

Pragmatism, combined with a firm hand, is the image Mr Andriessen is trying to project on the Farm Council. Having made concessions on the cereals price and on the superlevy, the more aggressive reformers have argued that he has already appeared too easy going.

Perhaps to head-off such criticism, the commissioner repeated his warning that failure by ministers to agree the details of his superlevy proposals, and to pay the duties by March 5, would bring retaliation by the commission.

Mr Andriessen has offered the carrot. Agriculture observers in Brussels are now on tenterhooks to see how ruthlessly he can wield the stick.

Supply squeeze fears boost zinc

BY JOHN EDWARDS, COMMODITIES EDITOR

ZINC VALUES surged ahead again on the London Metal Exchange yesterday reaching another 11-year peak. Cash zinc broke through the £800 level, closing £20.5 up at £811 a tonne.

News of a strike at Mt Isa's Queensland zinc, lead and copper plant gave a firm undertone to the market. However, the main influence was a developing technical squeeze on supplies available to the market.

Dealers say the crunch could come next month, when some traders who have sold "short" are expected to face considerable difficulty in covering their position (by purchases). One company in particular is controlling the bulk of supplies of standard (good ordinary brand) zinc, on which the existing LME contract is based.

The problem is exaggerated by the fact that while there are reasonable supplies of high grade zinc available, stocks of standard (GOB) zinc are declining with the standard contract due to be phased out in November.

It was a squeeze on available supplies that drove cash zinc on the London Metal Exchange to its all-time high of £938 in 1973.

Opposition to the proposals for changing the existing London Metal Exchange higher grade copper contract was voiced yesterday by Mr Philip Jevons, a member of the LME board, speaking at the American Metal Market forum in New York.

WEEKLY METALS, as supplied by Metal Bulletin, yesterday were:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,680-2,780.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 6.35-6.50.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 1.05-1.12, sticks, 1.15-1.20.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.40-11.50.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 295-304.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.75-3.85.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.20-8.90.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 73-76.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.30-2.35.

URANIUM: Nuexco exchange values, $ per lb U_3O_8, 15.00.

ACP accuses EEC over Lome sugar allocations

BY CANUTE JAMES IN KINGSTON

SUGAR EXPORTING countries of the African, Caribbean and Pacific group have accused the European Community of ignoring proposals to re-allocate a 25,000 tonne cut in Trinidad and Tobago's quota under the sugar protocol of the Lome Convention.

At the end of a meeting in Guyana, exporting ministers said they would support any country which sought arbitration on a violation of the sugar protocol.

Trinidad and Tobago's original quota of 69,000 tonnes was cut after it failed to meet the quota for three consecutive years.

The ACP countries have accused the EEC of wanting to re-allocate the quota to unnamed African countries, while they want it given to other Caribbean producers.

The ACP ministers also criticised an EEC decision not to allow re-allocation to any country which imports sugar for domestic consumption.

In an effort to increase earnings and preserve EEC quotas, some ACP states have been giving priority to EEC shipments, and filling the shortfall by importing cheaper sugar

Malaysian crude palm oil output fell in January

BY JOHN BUCKLEY

PRODUCTION of crude palm oil in peninsula Malaysia fell to 240,935 tons in January from 283,900 in December, but remained significantly above the levels of a year earlier, according to official data.

The latest figure confirms that output will exceed the January 1983 record of 205,300, but this is unlikely to result in more free export offers, according to European merchants.

They note that crude palm oil fell in January to 239,473 tons from December's 281,513 as refiner off-take continued to be brisk in the wake of further good export trade.

Moreover, doubts are now being cast on some of the more optimistic annual production forecasts for 1985 which range from 4m to 4.3m tons. A recent survey of plantations in northern regions showed a visible lack of fresh fruit sponges on palm trees which are now well into their winter resting period.

Although southern regions are still producing fruit, there are indications that the next seasonal upturn in output may not arrive until April or May, rather than March.

LONDON MARKETS

COCOA PRICES on the London futures market slipped back yesterday wiping out Monday's rally, which some traders suggested had been boosted by an "over-bullish" reaction to the fall in sterling.

Lack of fresh manufacturer demand and further consideration of recent increased crop projections for leading producers also contributed to the decline, which took the May quotation down to £2,119 a tonne at one point before closing £16 down on balance at £2,130.50 a tonne.

On the coffee market, futures values regained early small losses and the May position ended the day £3.50 up at £2,371 a tonne. Sterling's continued weakness against the dollar aided the recovery.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Feb. 19 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1180/1205	+20	$1175/1205
Copper			
Cash h Grade	£1284.5	—6.9	£1246.5
3 mths	£1307.75	—3.5	£1249.5
Gold troy oz	$302.75	—1.25	$305.75
Lead Cash	£338	—0.5	£374
3 mths	£346.75	+1.25	£348.75
Nickel			
Free Mkt	227/257c	......	227/257c
Palladium oz	$127.55	—2	$123.25
Platinum oz	$273.50	+3.50	$273.20
Quicksilver	$295/305	......	$295/305
Silver troy oz	569.95p	+0.75	554.80p
3 mths	588.90p	+1.40	570.30p
Tin cash	£10,057.5	+3.05	£9740
3 mths	£10,047.5	+11.0	£9587.5
Tungsten	$76.27	......	$83.85
Wolfram 22.04lb	$73/77	......	$64/68
Zinc	£811	+20.5	£707
3 mths	£790.25	+11.50	£733.25
Producers	$900	......	$900

OILS	Feb. 19 1985	+ or —	Month ago
Coconut (Phil)	$845u	+95	$865
Palm Malayan	$590x	+01	$580
SEEDS			
Copra Phil	$500v	+5	$540
Soyabean (U.S.)	$246u	+3.5	......
GRAINS			
Barley Fut. May	£115.00	—0.35	£114.20
Maize	£148.75	+0.75	£148.50
Wheat Fut. May	£115.75	—0.05	£113.55
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2130.5	—16	£2079.3
Coffee Ft. May	£2371	+3.5	£2392.5
Cotton A Index	69.45c	—20	71.15c
Gas Oil March	$251.875	—3.625	$224.25
Rubber (kilo)	65p	......	64p
Sugar (raw)	$114ux	+1	$109.5
Wooltops 64s	520p kilo	—2	514p kilo

‡ Unquoted. w March. x April. u Feb-March. v March-April. † Per 75-lb flask. e Nominal. c Cents a pound.

INDICES

FINANCIAL TIMES

Feb. 18	Feb. 15	M'th ago	Year ago
296.44	295.51	298.98	292.92

(Base: July 1 1952 = 100)

REUTERS

Feb. 19	Feb. 18	M'th ago	Year ago
2030.0	2018.5	1991.3	1961.3

(Base: September 18 1931 = 100)

MOODY'S

Feb. 18	Feb. 15	M'th ago	Year ago
N/A	—	—	1051.1

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Feb. 18	Feb. 15	Month ago	Year ago
Spot	N/A	—	—	138.01
Fut.	N/A	—	—	140.91

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1303-3	+20.5	1284-5	—6.9
3 months	1319-.5	+16.7	1307.5-8	—3.5
Settlem't	1303	+21.5	—	—
Cathodes				
Cash	1295-8	+14.5	1281-5	—6.9
3 months	1315-6	+17.0	1302-5	—3.5
Settlem't	1296	+14.0	—	—

Amalgamated Metal Trading reported that in the morning three months higher grade traded at £1317, 17.5, 18, 19, cash £1302, 02.5, three months £1319, 19.5, 19, 19.5, 19. Kerb: Higher Grade: Three months £1319, 18, 17, 15.5, 17, 16. Afternoon: Higher Grade: Three months £1310, 09, 10, 09.5, 09, £1310, 09, 09.5, 09, 07, 07.5. Kerb: Higher Grade: Three months £1309, 10, 11, 12, 13, 12.5, 13. Turnover: 19,325 tonnes. U.S. Producers: 67.00-70.00 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	10045-7	+14.5	10050-2	+15.5
3 months	10065-70	+20.5	10065-70	+19.5
Settlem't	10047	+12.0	—	—
Standard				
Cash	10043-5	+15.5	10035-40	+15.9
3 months	10042-3	+15.0	10046-7	+11.9
Settlem't	10045	+16.5	—	—
Straits E.	$29.15	—	—	—

Tin—Morning: Standard: Cash £1050, 45, three months £1040, cash £1045, three months £1045, 42. High Grade: Cash £1046. Kerb: Three months £1045. Afternoon: Standard: Three months £1045, £1046, 65, 46. High Grade: Three months £1070, cash £1052. Kerb: Three months £1046. Turnover: 1,065 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	339-.5	—	337.5-8.5	—0.5
3 months	348-.5	+2.5	346.5-7	+1.25
Settlem't	332.5	—	—	—

Lead—Morning: Cash £340, 39.5, three months £348.5. Kerb: Three months £348.5. Afternoon: Three months £348, £347. Kerb: Three months £347, 46. Turnover: 9,625 tonnes. U.S. Spot: 16.00-22.00 cents per pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	808-10	+20.5	810-2	+20.5
3 months	788.5-9	+16.6	790-.5	+11.5
Settlem't	810	+21.5	—	—

Zinc—High Grade Official/Unofficial prices: Cash am £825-£826, pm £815-£820. Three months am £823-£826, pm £812-£815: Settlement £826. Morning: Three months £788.5, 89, cash £810, three months £790, 89, 90, 89.5, 89, 88.5.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1014-.5	+3.5	1012-3	—1.5
3 months	1058-.5	+4.5	1047.5-8.5	—1.5

Aluminium—Morning: Three months £1054, 53, £1050, 51, 52, 51, 50.5. Kerb: Three months £1050, 49, 48, 49.5, 49. Afternoon: Three months £1046, 45, 45.5, £1046, 46.5, 47, 47.5. Kerb: Three months £1050, 51, 50, 65.5, 51. Turnover: 17,950 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	4650-5	+55.0	4629-8	+7.5
3 months	4665-70	+52.5	4607-8	+2.5

Nickel—Morning: Three months £4660, £4665, 70. Afternoon: Three months £4640, 35. Kerb: Three months £4635. Turnover: 1,086 tonnes.

GOLD

Gold fell $1¾ an ounce from Monday's close in the London bullion market yesterday to finish at $302½-303. The metal opened at $302¾-303¼ and traded between a high of $303¾-303¾ and a low of $301¼-302¼. Trading was extremely dull and featureless with the weaker trend reflecting renewed dollar strength.

GOLD BULLION (fine ounce) Feb. 19

Close	$302½-303	(£275¾-277¼)
Opening	$302¾-303¼	(£277¼-277¾)
M'n'g fix.	$302.90	(£277.176)
Aft'n'n fix.	$302.60	(£277.157)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$311¾-312½	(£285¼-286)
½ Krug.	$160¼-161	(£146¾-147½)
¼ Krug.	$82-82¾	(£75-75¾)
1/10 Krug.	$33-33¾	(£30¼-31)
Mapleleaf	$311¾-312½	(£285¼-286)
New Sov.	$72¼-73¾	(£65¾-66¾)
½ New Sov.	$43-43¾	(£39¼-40)
Old Sov.	$72-75¼	(£66-67½)
$20 Eagle	$455-485	(£416½-444)
Noble Plat	$280½-285¾	(£257-260)

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Feb.	—	—	—
April	—	—	304.50-04.50
Jun.	—	—	

Turnover: 106 (—) lots of 100 troy ounces.

SILVER

Silver was fixed 0.75p an ounce higher for spot delivery in the London bullion market yesterday at 569.95p. U.S. cent equivalents of the fixing levels were: spot 621.8c, down 5.2c; three-month 635.25c, down 4.65c; six-month 649.8c, down 6.15c; and 12-month 684.55c, down 4.4c. The metal opened at 568½-571½p (621-624c) and closed at 563-566p (616-619c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	569.95p	+0.75	565.5p	—2.5
3 months	588.80p	+1.40	584.0p	—5.5
6 months	606.40p	+0.60	—	—
12 months	639.75p	+2.15	—	—

LME—Turnover: 97 (73) lots of 10,000 oz.

Morning: Large three months 589, 88.5, 88.3. Afternoon: Large three months 583.5.

COCOA

Futures opened unchanged and eased £25.00 in thin conditions, staging some measure of recovery to reflect a relatively steady New York market. Actuals remained quiet, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	2112-2120	—8.5	2136-2102
May	2130-2101	—16.0	2147-2118
July	2120-2121	—13.5	2164-2108
Sept.	2104-2106	—16.8	2116-2090
Dec.	1990-1992	—3.0	1994-1976
Mar.	1980-1982	—8.0	1986-1970
May	1960-1980	—17.5	—

Sales: 5,131 (1,634) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for Feb 19: — (100.61): five-day average for 20: — (101.87).

COFFEE

Despite good commission house buying during a quiet afternoon, dealer selling prevented further gains and values settled in a tight range of £2.50, reports Drexel, Burnham, Lambert.

COFFEE	Yesterd'ys Close	+ or —	Business Done
March	2530-35	+05.0	2536-24
May	2370-72	+03.5	2377-67
July	2400-02	+01.0	2405-92
Sept.	2426-27	+03.0	2432-25
Nov.	2437-52	+01.5	2446-42
Jan	2455-37	+0.15	2447-41
March	2425-00	+04.5	2425

Sales: 1,602 (3,202) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for February 19. Comp. daily 1979 — (132.71); 15-day average — (135.83).

GRAINS

Despite the very high volume of flat trade was fairly limited with values remaining in a very narrow range. An extremely good cross and switch trade was seen in both old crop wheat and barley. The March position again came under pressure with liquidation ahead of tender. New crops remained dull in light trading, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterd'ys close	+ or —
Mar.	111.20	—0.10	111.50	—0.55
May	115.75	—0.05	115.00	—0.35
July	117.55	—0.05	—	—
Sept.	96.10	—	96.00	—
Nov.	99.20	—	99.50	—
Jan.	102.25	—0.05	103.20	—

Business done—Wheat: March 111.30-1.20, May 115.80-5.65, July 117.65-7.40, Sept 96.10-1.00, Nov 99.20-9.10. Sales: 1,628 lots of 100 tonnes. Barley: March 111.70-1.50, May 115.25-5.00, Sept 96.00 only. Sales: 719 lots of 100 tonnes.

LONDON GRAINS: Wheat—U.S. dark northern spring No 1 14 per cent. March 180.50, April/May 167.75, June 188, July 168.25, transhipment East Coast. U.S. No 2 soft red winter. March 162.25, April 163.25, May 163.75, July 162.75. English feed fob, April/June 117.50, Aug 97, sellers East Coast. Maize—U.S. No 3 Yellow/French. March 148.75, transhipment East Coast. Rest Unquoted.

HGCA — Locational ex-farm spot prices. Feed wheat: S. East 107.10; W. Mids 109.80; N. West 112.50. Feed barley: S. East 110.30; S. West 111.20; W. Mids 110.00; N. West 110.20. The UK monetary coefficient for the week beginning Monday February 25th (based on HGCA calculations using 5 days exchange rates) is expected to change to 1,028.

PIGMEAT

Shortcovering and fresh buying pushed prices up after physical prices were reported to be firmer. Prices closed on the highs in moderate volume, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
April	109.10	107.60	109.10-108.00
June	106.80	106.40	106.50-105.60
Aug.	103.00	103.70	105.70-102.90
Oct	108.60	108.30	108.95-108.00
Nov.	109.50	109.00	109.50-109.50
Feb.	102.00	105.00	—

Sales: 164 (58) lots of 50 carcases, 3,250 kg.

POTATOES

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Feb.	34.00	38.00	35.00-36.00
April	46.20	47.30	46.40-44.90
May	48.90	48.30	47.00-45.80
Nov.	71.70	73.50	72.30-71.50
Feb.	78.20	80.00	80.00-79.70

Sales: 694 (1,104) lots of 40 tonnes.

OIL

In a very thin market Brent Blend drifted downwards. Nymex opened 3 cents down on Friday's close and traded a further 20 to 25 cents down through most of the morning. In the petroleum products market Gas oil prices opened at the previous day's close. Later the IPE levels and March bids fell in line with the weak Nymex. Sellers remained stable creating a stand off situation with buyers by the end of the day. Heavy fuel was stable in N.W. Europe but firmer in the Med as increased Eastern Mediterranean and user demand pushed up prices and absorbed physical supplies, Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.70-80	+0.06
Arab Heavy	26.65-70	—
Dubai	27.30-40	+0.056
Brent Blend	28.40-45	—0.075
W.T.I. (1pm est)	27.70-90	—0.10
Forcados (Nigeria)	28.50-13	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif ($ per tonne)		
Premium gasoline	244-465	—
Gas Oil	240-49	—2
Heavy fuel oil	129-95	—

Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
Feb.	252.50-53.50	—0.25	256.50-52.75
March	252.50-52.00	—3.37	257.00-52.00
April	220.75-21.00	—2.25	224.75-20.75
May	216.00-19.25	—1.50	219.25-15.00
June	215.25-14.00	—1.50	216.00-14.00
July	212.25-14.00	—1.12	214.50-14.25
Aug	212.00-17.00	—2.00	210.00-16.00

Turnover: 2,123 (1,828) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened unchanged, attracted no interest throughout the day and closed inactive, reports Lewis and Peat. Closing prices (buyers) spot 65.00p (65.00p), March 79.50p (74.75p), April 75.25p (75.50p). The Kuala Lumpur Feb fob price for RSS No 1 was — (186.75) cents a kg and for SMR 20 — (189.5).

SOYABEAN MEAL

London soya market opened 50p to £1.00 lower in active trading conditions, reports T. G. Roddick. Large shipper interest saw market prices ease to close £2.00 on the day.

	Yesterday close	+ or —	Business Done
	£ per tonne		
Feb.	—	—	—
April	143.5-144.5	—1.25	144.5-144.9
June	140.8-140.0	—1.65	141.5-140.5
August	141.5-141.5	—1.50	142.5-141.4
October	145.5-146.5	—1.10	—
Dec.	151.0-153.5	—1.50	—
Feb.	155.0-158.4	—1.50	—

Sales: 502 (68) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $114.00 (£104.50), up $1.00 (up £2.00) a tonne for Feb/March/April delivery. White sugar $139.50, up $0.50.

No. 6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar.	117.4-117.8	111.2-110.4	119.8-116.5
May	122.4-122.8	123.2-122.4	125.8-122.0
Aug.	130.5	130.0-130.9	132.0-130.9
Oct	136.4-136.8	136.5-138.5	140.4-138.5
Dec	145.2-145.4	144.2-146.2	145.8-145.5
Mar	155.2-159.5	158.5-160.5	160.0-160.8
May	186.5-187.0	161.8-167.4	—

Sales: 3,022 (817) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £210.50 (same) a tonne for export.

U.S. MARKETS

Gold and silver recouped most of their early losses as failure to reflect dollar strength touched off light short covering late in the session. Copper was steady as weakness to sterling offset the continued slowdown in exchange stocks. Sugar was mixed with burdensome supplies of raw sugar leading to selling in the deferred contracts. Cocoa was weak reflecting more optimistic expectations for the Brazilian crop. Coffee came under pressure from long liquidation ahead of first notice day tomorrow. Cotton weakened on continued reports of undercutting of U.S. growths by foreign producers.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	49.70	—	—	49.75
March	49.80	49.85	49.90	49.85
April	50.35	—	—	50.40
May	50.80	50.85	49.85	50.85
July	51.60	51.45	51.00	51.65
Sept	52.40	—	—	52.45
Dec	53.65	—	—	53.65
Jan	54.00	—	—	54.05
March	54.80	—	—	54.85
May	55.60	—	—	55.65

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2103	2108	2071	2120
May	2137	2146	2115	2154
July	2129	2140	2108	2143
Sept	2151	2135	2115	2143
Dec	2028	2130	2020	2045
March	2025	2030	2015	2035
May	2025	—	—	2035

COFFEE "C" 37,000 lbs, cents/lbs

	Close	High	Low	Prev
March	142.28	144.25	142.10	144.27
May	141.64	143.30	141.45	143.44
July	141.11	142.30	140.60	142.25
Sept	139.78	140.80	139.50	140.80
Dec	138.50	139.50	138.60	139.51
March	137.75	138.25	138.00	138.25
May	136.78	137.00	137.00	137.25
July	136.00	—	—	135.53

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Feb	61.65	61.65	61.60	61.70
March	61.85	62.10	61.55	61.90
April	62.20	—	—	62.35
May	62.70	62.95	62.40	62.75
July	63.25	63.50	62.85	63.35
Sept	63.75	63.95	63.45	63.85
Dec	64.50	64.70	64.25	64.70
Jan	64.75	—	—	64.95
March	65.20	65.60	65.10	65.50
May	65.75	66.00	65.70	66.10

COTTON 50,000 lbs, cents/lbs

	Close	High	Low	Prev
March	63.80	64.07	63.44	64.13
May	64.93	65.28	64.62	65.48
July	65.77	66.12	65.46	66.38
Oct	65.50	66.20	65.75	66.65
Dec	66.10	65.40	66.78	65.66
March	67.47	67.40	67.20	67.80
May	68.08	67.98	67.95	68.50
July	68.60	68.95	68.50	69.35

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
April	27.28	27.40	27.65	27.38
May	26.66	26.76	26.47	26.76
June	26.47	26.47	26.20	26.44
July	26.24	26.21	26.00	26.25
August	26.15	26.00	26.00	26.15
Sept	26.12	—	—	26.12
Oct	26.12	—	—	26.12
Nov	26.00	26.00	25.70	26.19
Dec	26.20	25.70	25.70	26.20
Jan	25.20	—	—	26.20

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	303.9	304.0	302.3	304.3
March	304.4	304.0	304.0	305.1
April	306.4	306.8	304.3	306.9
June	310.8	311.5	308.6	311.3
Aug	315.4	315.5	313.0	315.5
Oct	320.1	—	—	320.8
Dec	326.2	325.0	323.5	325.7
Feb	330.5	—	—	331.0
April	336.8	—	—	336.5
June	341.8	—	—	342.3
Aug	347.9	—	—	348.5
Oct	354.1	352.3	352.3	354.7
Dec	360.7	—	—	361.3

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
March	74.20	74.65	73.30	74.65
April	71.60	71.75	70.60	71.80
May	69.65	69.90	69.00	69.86
June	69.15	69.15	68.30	69.25
July	65.20	69.40	68.30	60.10
August	55.70	—	—	69.30
Sept	71.50	—	—	70.50
Oct	27.82	—	—	27.82
Nov	80.05	—	—	80.05
Dec	73.25	—	—	73.00

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	169.30	70.25	65.00	65.25
May	171.15	72.80	67.80	67.60
Sept	171.50	71.60	65.40	68.50
Nov	169.50	70.00	68.00	67.00
Jan	168.50	69.00	68.00	66.20
March	168.50	68.20	68.20	66.20
May	168.50	—	—	65.20
July	168.50	—	—	66.20

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	276.0	274.0	274.0	277.2
March	276.0	—	—	278.2
April	277.0	277.5	273.5	279.2
July	282.5	283.0	280.0	285.2
Oct	288.3	288.8	287.5	291.3
Jan	295.8	294.5	294.0	298.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Feb	628.2	629.0	620.0	628.0
March	629.5	630.0	615.0	630.5
April	633.8	—	—	634.8
May	638.4	639.5	624.0	639.5
July	648.2	649.0	636.0	649.4
Sept	658.7	660.0	648.0	659.8
Dec	675.9	673.0	664.0	676.9
Jan	681.7	—	—	682.7
March	693.4	693.0	684.5	694.3
May	706.1	702.0	—	706.9

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	4.15	4.22	4.08	4.14
May	4.34	4.47	4.34	4.44
July	4.69	4.79	4.66	4.79
Sept	4.96	5.05	4.96	5.08
Oct	5.12	5.23	5.09	5.22
Jan	5.53	5.69	5.69	5.63
March	6.11	6.16	5.05	6.15
May	6.35	6.37	5.32	6.37
July	6.75	—	—	6.69

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	64.20	64.95	64.10	65.10
April	66.52	67.25	66.42	67.60
June	67.90	68.35	67.80	68.60
August	66.40	66.85	66.25	67.00
Oct	65.10	65.55	64.90	65.52
Dec	66.60	66.60	66.40	65.55
Feb	67.00	67.05	67.00	67.30

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	50.67	50.95	50.52	51.47
April	46.87	47.00	46.75	47.57
June	52.15	52.25	51.90	52.90
July	53.20	53.25	53.00	53.80
August	52.46	52.55	52.25	53.00
Oct	48.15	48.15	47.70	48.47
Dec	48.40	48.90	48.32	48.75
Feb	48.25	48.40	47.80	48.50
April	46.50	46.50	46.50	46.67

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	267.6	268.6	267.4	269.0
May	276.2	276.0	274.6	277.4
July	278.2	279.0	278.0	280.4
Sept	271.2	272.0	271.0	273.2
Dec	266.50	266.9	265.6	268.0
March	274.4	275.4	274.4	276.6
May	280.5	281.0	280.2	283.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	70.20	70.30	69.70	71.22
March	69.17	69.40	68.70	70.52
May	69.87	70.10	69.25	71.17
July	70.17	70.25	69.40	71.15
August	68.05	68.90	67.95	69.15
Feb	71.12	71.20	70.20	71.20
March	69.70	70.00	69.70	69.70

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	578.0	579.0	580.0	581.0
May	590.6	591.4	583.0	593.6
July	601.2	602.0	593.6	604.0
August	605.0	605.0	596.0	607.0
Sept	603.0	603.0	597.0	604.0
Nov	607.4	608.0	602.0	608.6
Jan	619.4	619.4	614.8	620.4
March	631.0	632.0	627.0	633.5
May	639.0	639.0	635.0	641.0

SOYABEAN MEAL 100 tonnes, $/ton

	Close	High	Low	Prev
March	131.0	132.5	130.1	133.8
May	136.8	138.0	136.2	139.6
July	142.9	142.8	142.1	145.5
Aug	146.9	147.0	146.1	148.3
Sept	148.0	150.0	147.3	150.3
Oct	151.3	152.5	150.6	153.5
Dec	157.0	157.3	156.0	160.0
Jan	159.0	160.0	158.5	161.0
March	164.0	—	—	166.5

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
March	28.02	28.05	27.90	28.05
May	27.05	27.05	26.87	26.97
July	26.25	26.30	26.05	26.28
Aug	25.65	25.80	25.58	25.80
Sept	25.40	25.40	25.15	25.30
Oct	24.80	25.05	24.75	24.75
Dec	24.30	24.35	24.30	24.22
Jan	24.05	24.25	24.05	23.95

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	345.6	346.5	345.0	346.6
May	336.6	338.0	336.6	338.2
July	330.2	331.4	329.4	332.4
Sept	330.0	332.0	329.4	332.4
Dec	339.6	341.4	339.0	342.4
March	344.0	344.0	343.4	347.2

OTHER MARKETS

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 95.77p per kg lw (—0.78): GB—Sheep 184.09p per kg estdcw: GB—Pigs 80.86p per kg lw.

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 77.0 to 82.0; English hindquarters 88.0 to 92.0, forequarters 58.0 to 64.0. Veal: Dutch hinds and ends 122.5 to 127.5. Lamb: English small 78.0 to 84.0, medium 74.0 to 80.0, heavy 65.0 to 72.0; Scottish heavy 65.0 to 71.0; Imported: New Zealand PL (new season) 70.0 to 71.0, PL (old season) 67.5 to 68.5. Pork: English, under 100 lb 52.0 to 61.0, 100-120 lb 52.0 to 58.0, 120-160 lb 41.0 to 49.0.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. March 510, 516, 515-514; May 524, 527, 525; Aug 544, 548, nil; Oct 544, 549, 547; Dec 545, 550, 548; Jan 546, 551, nil; March 553, 557, 556; May 557, 562, nil; Aug 568, 573, 571. Sales: 18.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 578.5, 584.0, nil; May 594.0, 596.0, nil; July 601.5, 603.0, 601.5-601.5; Oct 588.0, 595.0, nil; Dec 595.0, 595.0, nil; March 598.0, 610.0, nil; May 600.0, 620.0, nil; July 615.0, 630.0, nil. Sales: 1.

ROTTERDAM

WHEAT—(U.S. $ per tonne). U.S. two Soft Red Winter. March 160.50, April 167, May 161, June 148.75. U.S. two Northern Spring 14 per cent protein, Feb 168, March 182, April/May 169, June 166.50, July 167.50, Sept 167. U.S. Northern Spring 15 per cent protein, April/May 183.50. U.S. three Hard Amber Durum, April/May 182, June 182, Sept 181. Canadian one Western Amber Durum, April/May 193.50, May/June 194, Sept 193.

MAIZE—(U.S. $ per tonne). U.S. three yellow, Afloat 140, Feb 135, March 133.50, April 133, May 133.50, June 134.50, April/June 133.50, July/Sept 135, sellers. Argentine plate, March 127, April/June 127, sellers.

COTTON

Spot and shipment sales in Liverpool amounted to 86 tonnes bringing the total for the week so far to 122 tonnes. Enquiry by spinners for raw cotton was of a routine nature due to the absence of any significance in new pricing developments. Activity was mainly centred on African and South American types.

CURRENCIES MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Short covering boosts dollar

The dollar rose to record levels in currency markets yesterday, following renewed demand after the long weekend in the U.S. The last few days eaw dealers running short dollar positions, fearing central bank intervention to push the dollar weaker, at e time when trading volume was reduced by the closure of U.S. centres on Monday, e partial closure in Germany yesterday and restricted Far Eastern participation dus to the Chinese New Year.

However, there was no significant interventiop by central banks. The West German Bundesbank sold small amounts during the morning and the Bank of Japan may have been active but the opportunity to push the dollar weaker had been missed according to the market and prompted a renewed surge back into dollars. Central banks were probably reluctant to commit a significant part of their foreign reserves, however, since the dollar's underlying sentiment remained very bullish, aided by an unexpectedly sharp rise in U.S. housing starts in January.

From an early low of DM 3.2840, the dollar rose to e best level of DM 3.3230 against the D-mark before finishing at DM 3.3155 still up sharply from DM 3.2960 on Monday and its best level for 13½ years. Against the Swiss franc it rose to SwFr 2.8080 from SwFr 2.8010 and in terms of the yen to Y260.60 from Y260.0. It was also higher against the French franc, finishing at a record closing high of FFr 10.1375 from FFr 10.0725. On Bank of England figures, the dollar's index rose to a record 152.1 from 151.0.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0880. January average 1.1274. Exchange rate index rose to 71.6 from 71.2, having opened at 71.4 and compared with 78.5 six months ago.

Sterling was unchanged against the very strong dollar and was consequently much firmer against most European currencies. The high level of UK interest rates was probably behind the pound's firmer trend with speculators prefering to sell other curerncies in preference to sterling when switching into dollars. The pound closed at $1.0935 unchanged from Monday but rose to DM 3.6225 from DM 3.6025, and Y285.0 from Y284.25. It was also higher at SwFr 3.0725 from SwFr 3.0625 and FFr 11.08 compared with FFr 11.01.

D-MARK—Trading range against the dollar in 1984-85 is 3.3155 to 2.5535. January average 3.1698. Exchange rate index 118.8 against 124.2 six months ago.

Currencies showed little change from the midday fixing in Frankfurt as trading finished early because of a local holiday. The dollar was fixed at DM3.3162 up from DM3.2788 on Monday and then touched a 13½ year high of DM3.3220. There was no intervention by the Bundesbank at the fixing but there were indications of small dollar sales during the morning when the low volume gave rise to wide spreads and sharp fluctuations.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.7234	−0.40	+0.30	±1.5622
Danish Krone	8.14104	7.95876	−2.24	−1.54	±1.6410
German D-Mark	2.24184	2.22591	−0.07	+0.03	±1.1476
French Franc	6.87456	6.80913	−0.87	−0.27	±1.3660
Dutch Guilder	2.52595	2.52064	−0.21	+0.49	±1.5171
Irish Punt	0.72569	0.714883	−1.49	−0.79	±1.6703
Italian Lira	1403.49	1373.03	−2.17	−2.09	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	Feb 19	Previous
8.30 am	71.4	71.5
9.00 am	71.5	71.6
10.00 am	71.5	71.5
11.00 am	71.5	71.6
Noon	71.4	71.6
1.00 pm	71.5	71.5
2.00 pm	71.5	71.5
3.00 pm	71.5	71.5
4.00 pm	71.6	71.2

£ in New York

	February 19	Prev. close
£ Spot	$1.0918-1.0928	N/A
1 month	0.46-0.44pm	N/A
3 months	1.24-1.10pm	N/A
12 months	9.10-1.96pm	N/A

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Feb 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0880-1.0965	1.0930-1.0940	0.47-0.43c pm	4.94	1.23-1.18pm	4.41
Canada	1.4630-1.4725	1.4685-1.4725	0.49-0.39c pm	3.59	1.20-1.08pm	3.10
Nethlnd.	4.07½-4.10½	4.09¼-4.10½	2½-2¼c pm	6.59	6¼-6⅛pm	6.34
Belgium	72.35-72.82	72.80-72.90	23-17c pm	3.29	58-48pm	2.86
Denmark	12.88½-12.97½	12.96½-12.97½	4⅞-3⅞ore pm	3.93	10⅛-9⅛pm	3.01
Ireland	1.1581-1.1665	1.1630-1.1640	0.04p pm-0.14d	−0.52	0.05-0.42dis	−0.83
W. Ger.	3.59¾-3.62¾	3.91¾-3.62¾	2½-2¼pf pm	7.86	6¾-6⅝pm	7.32
Portugal	197½-200¼	197¾-200¼	195-520c dis	−21.36	480-1360d	−18.59
Spain	198-200¼	198½-200	30-5c pm	1.05	70-20pm	0.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 73.30-73.40. Six-month forward dollar 1.73-1.68c pm, 12-month 2.10-1.20c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0880-1.0965	1.0930-1.0940	0.47-0.43c pm	4.94	1.23-1.18pm	4.47
Ireland†	0.9380-0.9450	0.9395-0.9400	0.48-0.38c pm	6.48	1.35-1.10pm	6.21
Canada	1.3409-1.3468	1.3462-1.3467	0.12-0.15c dis	−1.21	0.40-0.44dis	−1.25
Nethlnd.	3.7100-3.7615	3.7515-3.7525	0.54-0.51c pm	1.88	1.88-1.85pm	1.99
Belgium	66.36-66.77	66.55-66.65	13-13c dis	−2.25	34-36dis	−2.10
Denmark	11.81-11.88½	11.83½-11.84½	½-1ore dis	−0.78	3½-4dis	−1.27
W. Ger.	3.2840-3.3230	3.3150-3.3160	0.77-0.72pf pm	2.70	2.44-2.39pm	2.81
Portugal	180½-193	191-193	250-550c dis	−25.52	650-1450d	−23.20
Spain	182.00-183.00	182.85-183.00	50-58c dis	−3.55	150-165dis	−3.45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 67.05-67.15.

OTHER CURRENCIES

Feb. 19	£	$		Note Rates
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

Feb. 19	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 19	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for February 18: 1.29382.

EXCHANGE CROSS RATES

Feb. 19	Pound Sterling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	13⅞-14⅛	8 9/16-8 11/16	8⅛-9¼	6⅝-6⅞	2¼-2½	5¼-5⅜	10⅝-10¾	14-10	11-11½	11-11¼	8¼-8⅜	[illegible]
7 day's notice	14-14⅛	8⅛-8⅝	9⅛-9⅛	5⅞-7	2-2¼	[illegible]	10⅝-10¾	13¼-14¼	10¾-11	10⅝-10⅞	[illegible]	[illegible]
Month	14⅛-14¼	8 9/16-8 11/16	[illegible]	6¾-6⅞	6½-5⅝	[illegible]	10⅝-10¾	13¾-14¼	10⅝-10⅞	10⅝-10⅞	[illegible]	9¾-10¼
Three months	13 13/16-14	9-9⅛	10⅛-10¼	6⅞-7	5¾-5⅞	6-2⅛	11⅛-11¼	14⅝-14⅞	10¾-11	10¾-11	[illegible]	10¾-11¼
Six months	13-13⅛	9⅛-9⅝	10 11/16-10⅞	[illegible]	5⅝-5⅞	5⅝-6⅛	11⅝-11⅞	14¾-15⅛	10¾-11	10¾ 11	[illegible]	11-11½
One year	12⅛-12⅝	[illegible]	11-11⅛	7-7⅛	5¾-5⅞	6⅛-6⅝	11⅝-11¾	15⅛-15⅜	11¼-11⅛	10⅞-11⅛	[illegible]	11 11⅛

Asian $ (closing rates in Singapore): Short-term 8½-8⅝ per cent; seven days 8⅝-8 11/16 per cent; one month 8⅝-8¾ per cent; three months 9-9⅛ per cent; six months 9⅛-9⅝ per cent; one year 10⅛-10⅜ per cent. Long-term Eurodollars: two years 10⅞-11 per cent; three years 11⅛-11⅜ per cent; four years 11½-11⅝ per cent; five years 11⅝-11⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Rates steady in quiet London trading

Interest rates were steady in very quiet trading on the London money market yesterday. Sentiment was encouraged by the good performance of sterling, which closed unchanged against a very strong dollar. This pushed the pound up on the cross rates against the major European currencies and the Japanese yen. But there appears to be little prospect of any early cut in interest rates, while the pound is still generally regarded as vulnerable. The latest figures on UK public sector borrowing were also considered disappointing, and have done nothing to suggest lower interest rates at present.

UK clearing banks base lending rate 14 per cent since January 28

Three-month interbank closed unchanged at 13⅞-14 per cent, but eligible bill rates were slightly higher, with discount houses buying rates for three-month bank bills rising to 13⅜-13½ per cent from 13¼-13⅜ per cent

The Bank of England forecast a market shortage of £450m and provided total help of £517m.

Before lunch the authorities gave assistance of £397m, including £199m bills purchased outright. These consisted of £12m bank bills in band 1 (up to 14 days maturity) at 13⅞ per cent; £42m bank bills in band 2 (15-33 days) at 13⅞ per cent; £15m bank bills in band 3 (34-63 days) at 13⅜ per cent; and £130m bank bills in band 4 (64-91 days) at 13⅜ per cent.

Another £198m bills were bought for resale to the market on March 6 at 13⅞ per cent.

In the afternoon £20m bills were purchased outright, by way of £13m bank bills in band 1 at 13⅞ per cent, and £7m bank bills in band 3 at 13⅜ per cent.

The Bank of England also provided late assistance of around £100m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £237m, with the unwinding of repurchase agreements absorbing £390m and bank balances below target another £30m. These outweighted Exchequer transactions adding £155m to liquidity, and a fall in the note circulation of £55m.

In New York the Federal Reserve injected temporary reserves to the banking system through overnight system repurchase agreements, when Federal funds were trading at 8 9/16 per cent. This partly offset the drain on funds through maturing four-day repurchase agreements set last Friday.

MONEY RATES

Feb. 19	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10⅜	2-2½	5¼-5⅜	6.09375	15⅝-15	10.0	14⅝-14⅞
One month	5.50-5.65	10 11/16-10 13/16	5 5/16-5 7/16	6 1/16-6 3/16	6.34375	15⅝-16	10⅝-10⅞	14¾-15
Two months	5.85-6.00	10⅝-10¾	—	—	—	—	—	14⅝-14⅞
Three months	6.00-6.15	10⅝-10¾	5¾-5⅞	6 3/16-6 5/16	6.34375	15¾-16⅛	10¾-11	14⅛-14¾
Six months	6.25-6.40	10 11/16-10 13/16	—	6⅞-7	—	—	10¾-11	14¼-14½
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10½	—	5¼	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Feb. 19 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	1-14¼	13⅞-14	13-14¼	4-14	—	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Export Finance IV: Average Rate of interest period January 2 to February 5 1985 (inclusive): 11.240 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rates (published by the Finance Houses Association): 10½ per cent from February 1, 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 13.1520 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 13¾ per cent; three-six months 14 per cent; six-nine months 12¾ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from February 13. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 6 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	8¼

Treasury Bills

One month	7.80
Two month	8.30
Three month	8.17
Six month	8.25
One year	8.43

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. February 19)
Three months U.S. dollars

bid 9	offer 9 1/8

Six months U.S. dollars

bid 9 7/16	offer 99/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Gilts rally

Sterling-based interest rate contracts finished very firm on the London International Financial Futures market yesterday. Gilts opened weaker for March delivery at 103-16, reflecting nervousness about the strength of the dollar on the foreign exchanges. The contract hit a low of 103-14, which dealers said was a technical support level. After holding this level March gilts moved up in rather languid trading, before the entry of the major stockjobbers led to a hint of panic buying towards the close, and the close was near the day's high at 104-08, compared with 103-19 previously.

Three month sterling for March opened at the day's low of 86.40, and finished only slightly below the day's peak at 86.70 compared with 86.58 previously. There was reported to be one large institutional buyer in the market, and despite selling by U.S. banks the contract refused to fall.

Trading in dollar denominated contracts was very erratic. After opening at 90.68 for March Eurodollars the trend looked to be weaker, but the contract moved up to 90.70, before selling was attracted by a larger than expected rise in January U.S. housing starts. After falling to a low of 90.66 the market picked up again, but by the close both Eurodollars and Treasury bonds were regarded as erratic and lacking direction.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	71-25
[illegible]	[illegible]	[illegible]	70-25

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING (IMM) $e per £

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GNMA (CBT) 8% $100,000
32nds of 100%

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company Notice

REPUBLIC OF COSTA RICA LOAN
Floating Rate Bonds April 1978-1985 of US$1,000 each

Holders of the above-mentioned bonds are hereby informed that all outstanding bonds will by redeemable at par on final maturity date, 15 April 1985, at the office of FRENCH AMERICAN BANKING CORPORATION in NEW YORK and at the offices of following banks:
—BANQUE NATIONALE DE PARIS, PARIS
—BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A., LUXEMBOURG
—BANQUE INTERNATIONALE A LUXEMBOURG S.A., LUXEMBOURG
—MERRILL LYNCH INTERNATIONAL BANK LIMITED, LONDON.

Personal

Lazard Brothers Fund Managers (Channel Islands) Ltd.
P.O. Box 275, 16 Glategny Esplanade,
St. Peter Port, Guernsey. 0481 21367

	Bid	Offered	Ann. grth.
Lazard Curr. Res. Fnd. £			
Lazard Curr. Res. Fnd. US$	10.17	10.18	13.5
Lazard Curr. Res. Fnd. Y	10.13	10.14	8.1
Lazard Curr. Res. Fnd. DM	3030	3040	5.5
Lazard Curr. Res. Fnd. SF	40.28	40.29	5.3
Lazard Curr. Res. Fnd. FF	30.05	30.06	4.6
Lazard Curr. Res. Fnd. DKr	101.81	101.82	9.8
	130	131	10.1

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 19.

OVER-THE-COUNTER

Continued from Page 28

Indices

NEW YORK

CAPITAL MARKETS

Market focuses on controversial new floating rate notes

BY MAGGIE URRY IN LONDON

THE new-style floating rate notes (FRNs) – with a minimum-maximum coupon structure – were the centre of attention in the Eurobond market again yesterday. Strong demand allowed Goldman Sachs to increase the size of its issue for Denmark, launched on Monday, from $200m to $250m, and two more issues were launched. But criticism of the "minimax" structure mounted as syndicate managers condemned the issues.

Goldman Sachs brought a $125m deal for Swedish Export Credit, with a shorter seven-year life. The minimum coupon is 10 per cent and maximum 11¾ per cent. Between those limits interest will be paid at ¼ point over six-month London inter-bank offered rate (Libor). Fees total 40 basis points.

Merrill Lynch led a 10-year issue for Christiania Bank with a narrower coupon range of 10½ to 11½ per cent, again using ⅛ point over six-month Libor as the interest rate between the limits. The issue has an initial $75m tranche with a $25m tap. The bonds rank as senior debt and fees total 49 basis points. Both issues are non-callable.

By the afternoon, all three issues were trading outside their gross fees, with Christiania's bid at 98¾.

Although investors who borrow in the inter-bank market to fund their holdings will do very well holding the issues if interest rates stay below 10 per cent or so, they will come to grief if interest rates rise above the maximum coupon level and stay there. Dealers pointed out that once rates rise the bond will fare no better than fixed-rate issues, and that investors are unlikely to find an active secondary market in the issues in that case. Meanwhile, they are only attractive to FRN investors prepared to look at current yield and who expect interest rates to stay low over the long term.

BHF Bank bond average		
Feb 19		Previous
101.170		101.206
High	1985	Low
103.042		98.056

The structure is attractive to the borrowers – the deals are linked to swaps at more-than-advantageous terms – although they have conceded call protection to investors.

A $350m FRN issue is expected today for Spain, to be led by Bank of America, but a more conventional structure is likely. Credit Suisse First Boston is planning an FRN for a Canadian bank.

The Eurodollar bond market was again quiet yesterday, getting no lead from New York.

Coupons of 10 per cent have reappeared in the European currency unit market, with two issues launched yesterday paying that rate. A Ecu 50m deal for Euratom with a 12-year maturity, but a 10-year average life, was launched by Al-Mal International and Société Générale de Banque. Half or more of the issue is expected to be bought in the Middle East.

Banque Paribas launched a Ecu 50m five-year issue for Pechiney, the French state-owned aluminium company. That was also trading well inside its fees.

The Swiss franc foreign bond market was quiet yesterday, with no new issues and secondary market trading limited. Prices were little changed to slightly weaker, with investors attracted by bonds offering 6 per cent yields.

It was early closing day in the West German bond market, because of the Shrove Tuesday holiday. Activity was low and prices were unchanged on average.

Turkey's $500m loan close to completion

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

TURKEY was last night on the verge of completing the formation of a group of banks to lead its controversial $500m seven-year loan facility in the Euromarkets.

Chemical Bank, one of the banks leading the deal, said it had attracted commitments from 21 lead managers totalling $490m. With the possible addition of a further bank that had been waiting until the last minute to confirm its participation, the total could end up slightly oversubscribed.

That will bring an end to nearly three months of struggle during which Turkey has faced an uphill task in convincing bankers that the structure of its facility was appropriate for a country that had to reschedule its foreign debt at the turn of the decade.

The structure allows Turkey to raise cash by inviting banks to bid for short-term advances at cheap money-market rates with lead managers acting as underwriters willing to step in to fill the gap if the advances go unsold.

It aroused opposition from some banks which argued that the underwriting risk was too great and that this was an inefficient way for Turkey to raise money because it used up available loan capacity from short-term lenders and underwriters.

Japanese banks, who are required to make a special reserve against their Turkish loan exposure, also proved reluctant to enter the deal and even last night only one, Bank of Tokyo, had joined the lead group.

None the less, bankers now regard the finalisation of lead managers' commitments as little more than a formality. Next, a formal mandate in writing will be needed from the Turkish authorities and the deal is expected shortly to enter syndication.